

Crises, Profit, and Exploitation: A structural-Marxist interpretation of the 2007-08 global financial crisis

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ABSTRACT

This thesis explores the relationship between capitalism and exploitation in wake of the 2007-08 global financial crisis and subsequent economic recessions among the world's most advanced capitalist nations. Starting from the position that not enough theoretical work has been done, particularly within criminology, to analyze the harms caused by crises in capitalism, I argue that a structural-Marxist framework can help fill this gap in the literature. By building a theoretical model based on Karl Marx's original work on crises in capitalism, the structuralism of Louis Althusser, and as the philosophical materialism of David Harvey, I examine the ways in which the global financial crisis is not the unexpected event mainstream narratives maintain, but rather one that has been over a century in the making. On an empirical level, drawing insight from the Greek financial crisis, the model proposed is deployed to analyze the role that international financial institutions have had in the recent crisis and draw a link between these patterns and the status of modern capitalism, suggesting that the economic trauma we face now is intimately linked to the predisposition of capital (re)production and accumulation. This thesis ultimately underlines the fact that while we are governed by this 'new', more aggressive capitalism, it is also 'the same' in that Marx's insights regarding the contradictions of capital accumulation are equally applicable today as they were in his time.

Keywords: crisis, class struggle, structuralism, capital accumulation, productivism, fetishism

TABLE OF CONTENTS

INTRODUCTION

Section i: Chapter Map	4
------------------------------	---

CHAPTER ONE

From the Grave, Reborn Once More: The resurgence of Karl Marx in a post-recession era

Section 1.1: Criminology, The Crisis, and the resurgence of Karl Marx	8
Section 1.2: Regarding any methodological concerns	11
Section 1.3: A critique of bourgeois theory in defence of Marx's epistemology	14
Section 1.4: Structuralism, Althusser, and Marx's Epistemological Break.....	19

CHAPTER TWO

Productivism, the Zeitgeist of Capital

Section 2.1: Regarding Marx's theory of crises in capitalism	28
--	----

PART I: The circulation of capital and the structural tendencies of capital accumulation

Section 2.2: On commodities and the evolution of money-capital	30
Section 2.3: The circulation of money-capital and the accumulation of profit	33
Section 2.4: On the structural tendency for productivism (or infinite accumulation)	37
Section 2.5: The structural tendency to fetishize commodities and the relations of production ...	39
Section 2.6: On the structural tendency for exploitation	41

PART II: Productivism, crises, and an increasingly unstable capitalism

Section 2.7: The economic structure of capitalist production.....	45
Section 2.8: On the expanded reproduction of the economic structure of production	47
Section 2.9: On the Falling Rate of Profit.....	50
Section 2.10: On the Rising Organic Composition of capital.....	53
Section 2.11: The crisis of realization.....	57
Section 2.12: The Profit-Squeeze	60
Section 2.13: On the counter-acting measures of capital.....	61
Section 2.14: Regarding the 'business cycle'	67
Section 2.15: The Boom	68
Section 2.16: The crisis of over-accumulation	70
Section 2.17: The paradox of capital accumulation.....	76

CHAPTER THREE

The Great Recession: Crises Past, Crises Present, and the future of Capital

Section 3.1: An introduction to a brief series of crises in capitalism	81
Section 3.2: The Roaring Twenties and the Great Depression	82
Section 3.3: The Golden Age of Capitalism	84
Section 3.4: A note on Marx, Keynes, and solving crises in capitalism.....	86
Section 3.5: The end of the post-war boom	89
Section 3.6: On neoliberalism and the rise of global capitalism.....	91
Section 3.7: On neoliberalism as a counter-acting measure against the falling profit rate.....	93
Section 3.8: On neoliberalism and the evolving role of the nation state	95
Section 3.9: On neoliberalism and rising wealth inequality	97

Section 3.10: The Great Credit Solution.....	100
Section 3.11: On the global financial sector and the rise of fictitious capital	102
Section 3.12: Accumulation by expropriation on an expanded scale	108
Section 3.13: The Crisis Today.....	113

CHAPTER FOUR

The Modern Greek Tragedy: An analysis of the sovereign-debt crisis in Greece

Section 4.1: An introduction to the sovereign-debt crisis in Greece	121
Section 4.2: A brief time-line of events	124
Section 4.3: A literature review of mainstream and counter narratives.....	129
Section 4.4: A structural-Marxist interpretation of bourgeois ideology oscillation	134
Section 4.5: A structural-Marxist interpretation of the Greek sovereign-debt crisis.....	139

CONCLUSION

<i>Fetishizing the Crisis and Understanding ‘more of the same’</i>	156
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REFERENCES	161
-------------------------	-----

INTRODUCTION

In 2007 the U.S. financial sector collapsed, becoming the first event in a chain of catastrophes that triggered a global financial crisis which eventually plunged the world into one of the most devastating economic recessions since the Great Depression (Shierholz & Mishel, 2009; Pendery, 2009; Warner, 2011; Willis, 2009). Dubbed the ‘Great Recession’, the severity of this disaster was such that highly developed capitalist nations, long believed to be immune to economic downturns of this magnitude, are still experiencing difficulties recovering even almost a decade later (O’Brien, 2018). This thesis thus finds its empirical footing in the contention that some of these nations are still struggling to restore their socio-economic status quo despite so-called rescue loans from international financial institutions, and there is a clear reason for this: the high interest rates and harsh austerity measures represent a calculated attack by banks and transnational corporate agents to profit from the misery of the masses in an unprecedented way (Kamm et al., 2013; Pendery, 2009; Handelsblatt, 2017).

With an economy that has shrunk more than quarter in the past decade, pensioners’ income cut in half, with more than a quarter of the population unemployed, and less than twenty percent of medical services running nationally, Greece was by far the hardest hit developed nation by the 2007-08 crisis (Reichetseder, 2014; Olivet & Eberhardt, 2014; White, 2010; Xafa, 2018). By looking the Greek sovereign-debt crisis as a case-study, we will observe that as the hardest hit capitalist nation it has much to tell us about the evolution of modern capitalism. To find answers, I will employ a qualitative examination of opinions surrounding the institutions responsible for intervening into the Greek recession and categorize the responses. One of the categories is meant to reflect a ‘public’ opinion on the topic at hand, while also documenting what I will dub to be the ‘official narrative’ coming from official channels, while the second

represents what I dub dissenting narratives, and will include those explanations for the Greek-sovereign debt crisis which differ from the mainstream.

By building upon a structural-Marxist theoretical perspective, this thesis ultimately argues that the neoliberal policies proliferated by the international financial institutions responsible for the recent bailouts, as well the corporate interests they represent, are indications of a class war being waged at the global level. And while these tactics are not new, they do represent a dangerous trend in the evolution of a truly global capitalism where increasingly harsher measures are used to address the symptoms of economic crises. Overall, this thesis paints a narrative wherein the recent crisis was not the unforeseeable event mainstream narratives maintain it to be, but rather the result of the predisposition of capital accumulation over a century in the making. I propose that by revisiting Karl Marx's insights into the contradictions of capital accumulation, we may yet realize that there is something fundamentally rotten at the core of the modern capitalism. In turn, this may help explain the severity of the recent crisis, and more importantly help us navigate or even avoid future crises.

That being said, the following question drives this research: what can a structural-Marxist interpretation of capitalist crises tell us about the 2007-08 financial collapse, and more generally about the state of modern capitalism? At its core this is both empirical and theoretical analysis, starting with the gathering of facts about a specific phenomenon, interrogating said facts with the presented theory, and analyzing the resulting implications. Being Marxist in its inception, the theoretical model presented in this thesis is thus based upon an analysis of the evolution of capitalism that looks at certain historical trends. The objective is to re-evaluate what we know about capitalist crises and of the orthodoxy with which dominant explanations for their

causes are presented. As such, this framework draws upon several concepts¹ from Marx's seminal work, *Capital* (among others), and is infused with an appreciation for the study of the objective structures that (re)produce the social relations which maintain the capitalist mode of production. Where Marx's own work is incomplete on this subject, as is often the case with several of his original theories, clarifications are provided from the work of Louis Althusser and his case for structuralism, as well as David Harvey and his work on philosophical materialism and capitalist crises. As I will later elaborate, the choice of these supporting scholars is not accidental, but rather based on what I believe represents an ideological evolution of the specific type of structural-Marxism I aim to mobilize throughout this thesis.

At a theoretical level, the proposed model on crises draws primarily upon Marx's theory on capital accumulation. This theory argues that capitalism will find it increasingly difficult to deliver the necessities for a stable and nurturing society, evidenced by economic crises that increase in frequency/severity. These, in turn, arise out of the way capital accumulates during production. This line of reasoning would posit that those who maintain that capitalism is a place where 'peace, property, and equality' flourish, are incorrect; capitalism will, in time, resort to increasingly aggressive measures to keep up the illusion that it is the answer to its own problems (Harvey, 2004, 74). What is unique about this theory is it allows us to go beyond the revolutionary rhetoric many are familiar with when thinking about Marx, instead questioning what will happen if the capitalist project is fully realized. The idea is that closer capitalism gets to its ultimate objective, the complete commodification of the material plane, the more unstable it becomes. Crises are the representation of this increasing instability. They are caused by the irresolvable contradictions of capital accumulation, and as a result are phenomena which are

¹ Among these are the notions of *contradiction*, *class-struggle*, *economic/ideological reproduction*, *accumulation by expropriation*, among others, and are to be taken up extensively in chapter two of this thesis.

never really solved but rather moved around in space and time (Harvey, 2010b). With that in mind, this thesis attempts to shed some light on the recent recession by painting it as a sign of what seems almost inevitable: what happens when the contradiction between the material limits capital accumulation and capitalist production becomes so pronounced that crises can no longer be displaced as they have been in times past.

i) Chapter Map

Chapter one briefly reviews the Marxist resurgence in wake of the recent crisis, the analytical tools used by Marx in critiquing capitalist production, as well as any relevant divergences his methods have from mainstream economics and other strains of Marxism. More specifically, I will engage with: i) an academic resurgence of Marxist theory after several decades of dormancy; ii) Marx's model of analysis, *historical materialism*, and how it is to be applied for this research endeavor; and iii) the type of Marxist theory I aim to mobilize, including its epistemological and ontological positions, as well as its links to *structuralism*. Of particular relevance here is the notion that my theoretical model is an extension of those theories Marx wrote later in his life, or what is commonly known as 'late Marx'. This addition is meant to underline an implication of immediate importance: this theory starts from a position which rejects the epistemological *empiricism* that dominates bourgeois economics, while equally being at odds with the ontological relativism that has infected 'humanist' Marxism. Overall, I infuse orthodox Marxism with the epistemological model provided by Althusser and the ontological *materialism* of Harvey, therein offering a Marxism with emancipatory potential (Coburn et al., 2010).

Chapter two forms the theoretical backbone of the thesis and is meant to detail the general ‘tendencies’ of capitalist production that are important for the formation of a structural-Marxist theory on crises. To this end I intend to i) review what Marx said about capital accumulation, specifically regarding the circulation of commodities and money as well as how these lead to the structural features of *exploitation*, *fetishism*, and *productivism*; and ii) assemble an explanatory framework for how economic crises form in capitalist social formations, necessitated by the fact that Marx’s own work on the subject is ambiguous and incomplete. By reaffirming the notion that capitalism operates in a contradictory manner, we will observe that there is one contradiction that acts as an impediment to capital accumulation which supersedes all others and is set to feature as a re-occurring theme throughout the thesis – i.e. that between *productivism* and the material limits of capital accumulation. Selected works from Harvey and Althusser are used to provide vital clarifications for the stages in theory building where Marx’s original work is found wanting.

Chapter three forms the first part of the analysis for this thesis, where I juxtapose the concepts presented in the theory chapter with general trends in the socio-political evolution of capitalism. More specifically, I apply the principles of *historical materialism* to the evolution of U.S. capitalism going back to the Great Depression while keeping an eye on events which may be explained by, or correspond with, the theory presented in chapter two (Brooks, 2002; Marx, 1859/1979). The resulting analysis will paint the 2007/08 crisis as a prime example of the extent to which wealth continues to be centralized in the hands of the few at the expense of the immiseration of the masses (League for the Revolutionary Party, 1983; Marx, 1894/1959, 305). It is a surface eruption to a much deeper problem related to the predisposition of capital accumulation in the modern age, and this lack of perspective results in mainstream explanations

that fail to account for the systemic risk posed by the volatile nature of neoliberalism (Chomsky, 1999; Harvey, 2010b; LFRP, 1983; Tombs & Whyte, 2015).

In chapter four I move away from a broader interpretation of the theoretical model and look to how it can be applied to a specific case study, namely the Greek sovereign-debt crisis. Here I document the unprecedented nature of this disaster and how it is related to the wider theory, tracing the timeline of Greece's bailout rescue loans, detailing their conditions, what we were told they would achieve, as well as their economic, political, and social effects. I then analyze the discourse surrounding the Eurobank, I.M.F. and European Commission's intervention in Greece, revealing what I call the 'mainstream narrative' as well as a 'counter-narrative'. Ultimately, both are shown to be irrational justifications for the harms committed against the Greek public that operate by deflecting blame or calling attention to irrelevant aspects of the crisis. I propose that by instead of interpreting the Greek sovereign-debt crisis as a *crisis of over-accumulation*, it is possible to take the rescue packages as examples of Marx's *counter-acting measures* – i.e. attempts by capitalism to divert *overproduction* by decongesting the circulation of capitals (Marx, 1867/1886; 1885/1956; 1894/1959, 160-163). As a result, we will observe that the real reason for the severity of the Greek sovereign-debt crisis is an unprecedented failure of capitalism's traditional *counter-acting measures* for crises; a sign that *productivism* is beginning to outpace the *material limits of production* (Clarke, 1990, 60, 460; Harvey, 2014; Marx, 1894/1959, 160-165; Schumacher, 1973). This means that the fault for the Greek crisis rests not with its people, as the mainstream narratives analyzed maintain, but with the predisposition of capital accumulation typical of the neoliberal policymaking which gave birth to bourgeois projects like the Eurozone.

The concluding chapter reaffirms capitalism's tendency for *fetishism* and discusses how it affects our ability to envision alternatives. Here I restate the significance of the theory of capital accumulation, arguing that without a radical restructuring of social relations capitalist crises will continue to occur with increasing frequency as well as severity, and capitalism's tools for keeping them in check will become increasingly dangerous. I then identify a rather paradoxical trend where although capitalism is crumbling under the weight of its own contradictions, this mode of production has never been so ideologically entrenched in our psyche that we are unable to envision alternatives even in the face of complete catastrophe (Bezemer, 2010; Frauley, 2015, Haiven, 2014; Harvey, 2010b; Roberts, 2012). This helps explain the resiliency of modern capitalism in wake of the 2007-08 crisis, and from a theoretical standpoint reveals a complication in Marx's theories regarding what he believed to maximum amount of exploitation tolerable before radical social change takes root (something I leave open for future research). I conclude the thesis by pointing out that capitalism, its perpetual crises, and the harm these create are all artificial; they are not representative of the natural evolution of human society. This means that to prevent future disasters of this magnitude, we must first turn to nurturing our imagination so that we may be able to envision alternatives, and as academics we must play a more significant role in steering academic discourse toward this goal (Bezemer, 2010; Frauley, 2015; Haiven, 2014).

CHAPTER ONE: FROM THE GRAVE, REBORN ONCE MORE - A RESURGENCE OF MARX IN A POST-CRISIS WORLD

Section 1.1: The Great Recession and the resurgence of Karl Marx

Shortly after the Great Recession hit the global markets in 2008, Jörn Schütrumpf, manager of Berlin publishing house Karl-Dietz (a prominent German publisher of Marxist works), proclaimed that “Marx is in fashion again!” (Connolly, 2008). Given his profession, it may seem hardly objective to take his word for it, but it is true that sales of Marx’s works, most notably *Capital*, have surged all over Europe in wake of the recent crisis (as did a bevy of third-party books that deal with Marxism more generally²) (The Economist, 2008). What is notable here is that this new economic catastrophe has, at the very least, brought with it a renewed interest in Marxism not seen in decades.

While this resurgence can be attributed to a number of reasons, I think the most important of these has to do with the fact that an increasingly larger segment of the population is becoming intrigued by Marx’s critique of capitalism. The biggest segment of those interested happens to be younger people, and this is no mere coincidence (Jeffries, 2012). We live amongst the first generation of intellectuals that can cast aside the political baggage of the Cold War; a time when being considered a pupil of Marx in the capitalist West was often discouraged on the pretense that it spearheaded the ideological interests of the Soviet Union (Jeffries, 2012; Russell, 1990). Sadly, this sentiment continued even far after the fall of the Iron Curtain in Eastern Europe, with many believing that the failure of Stalinism represented the failure of Marxist scholarship as a whole (Burawoy, 2013). Nevertheless, the recent Great Recession has shown that the public has

² See Eagleton (2011), Harvey (2010a/b), Roberts (2016).

become increasingly impatient with the failed promises of capitalism, as well as the explanations (or lack thereof) for this failure given by its agents and politicians.

My own interest in Marx stems from something that became clear to me early on during my research. While reviewing the relevant literature on corporate crime I came upon the realization that there was somewhat of a gap in the knowledge available on the topic at hand. I came to believe that to fully capture the global dynamics which led to the recent crisis a different understanding of state-corporate relations, or at least one that steers clear of the orthodox interpretations we find in mainstream regulatory scholarship, was required³. Part of the reason for this is the obvious fact that 21st century globalization has created a plethora of corporate harm issues not readily apparent in the past (Ellis, 2016; Fazi, 2015). The activities of multinational corporations, and the financial institutions that enable them, are now capable of regulating the flow of global capital in increasingly unexpected ways, and their motives are not so easily captured by traditional regulation rhetoric (Ellis, 2016; Whyte & Wiegratz, 2016). It is no longer enough to simply ask ourselves whether we want ‘more’ or ‘less’ government regulation, or whether we want more or less corporate self-regulation, given that the interests of the state and the private sector now often overlap (Tombs, 2015; Tombs & Whyte, 2012; Whyte & Wiegratz, 2016). What we need is an analytical model that moves beyond the theoretical duality of state-regulation versus corporate regulation, or the similar debate on more regulation versus less regulation (Christensen, 2016; Tombs & Whyte, 2012). One of the themes of this thesis thus revolves around the need to transcend traditional interpretations of the role of the state, recognizing that corporations and governments exist in increasingly symbiotic relationships – i.e.

³ This is not to say that there does not exist a dedicated number of scholars who do engage in studying this topic. Look to the work of Tombs (2012, 2015, 2016), Whyte (2015, 2016), Christensen (2016), Ellis (2016), Carrier (2016), among others for a more expansive literature review on the subject.

what Tombs & Whyte (2015: 94) dub the “state-corporate nexus” (Carrier, 2016; Christensen, 2016; Ellis, 2016; Tombs, 2016).⁴

Marx’s work is immensely productive for an analysis of the recent crisis precisely because it allows theoretical room for such a conceptualization. In many ways, the narrative surrounding the Great Recession is one eerily familiar to those who have had contact with his work. After all, it has been over a century since he infamously proclaimed that through the veins of capitalism flows the ichor of its own demise, sowing the seeds to its own destruction by virtue of its irresolvable contradictions (Kamm et. al., 2013). In some ways this thesis is an empirical exploration of this position, entertaining the possibility that the recent crisis has indeed showed us a glimpse into what Marx heralded: a dystopian future characterized by increasing wealth inequality, mass-exploitation, and ever-frequent economic collapses accompanied by progressively dangerous ‘solutions’ to contain them.

As we will later observe, capitalism’s supporters maintain these claims to be false (Ticktin, 2011). They seek to explain the recent crisis with well-rehearsed tales of ‘bad patches’ in the road to a free-market utopia, painting it as the unforeseen result of conducting ‘business as usual’ (Harvey, 2010b). The capitalist market, they maintain, is a well of wealth and possibilities for social growth, and while it may suffer from the occasional *bust*, it will always steer itself back on the right track given enough time (Tombs & Whyte, 2015, 94). They tell us there is no need for radical remedies, especially not from that ‘resurrected Victorian corpse’ known as Marx, because we are nowhere near the existential crisis of capitalism this has been made out to be (Kamm et. al., 2013).

⁴ Also see Tombs (2012).

Marx came up with many theories during his lifetime, but an essential point remains true in all of them: capitalism is a great idea on paper – e.g. free trade, democratic compatibility, fair competition, individual self-development, and meritocracy – but in practice these ideals fall apart. Only by revisiting his work on capital accumulation will we observe that he extensively detailed the same crisis-prone capitalism we see today well over a century ago (Kliman, 2014; Wolff, 2010).

Section 1.2: Regarding any methodological concerns

Before any discussion of what an analysis of crises in capitalism would entail, it is important to situate my work within the broader Marxist academic tradition by explaining the ‘type’ of Marxism I mobilize. First, however, a brief description of the theoretical model is necessary to satisfy any preliminary concerns regarding methodology. By relying on the method of analytic inquiry originally developed by Marx, namely *historical materialism* (HM), this thesis is deployed via a rather unconventional methodology that cannot divorce theory from method.

To better understand what this entails requires turning to the etymology of the term *HM*, which has its roots in a similar method of analysis created by Engels called *dialectical materialism* (Brooks, 2002). Engels originally defined this to be a ‘rigorous methodology’ that uses ‘dialectical inquiry’ to study and apprehend the phenomena of nature (Brooks, 2002). *HM* is an extension of this analytical method, taking its principles and applying them to the study of social practice (i.e. human production) under the assumption that history plays an important role in shaping societies. Three principles are fundamental to its application for the purposes of this thesis.

The first is a preoccupation with what Marx (1859/1979) referred to as ‘philosophical materialism’, an ontological stance that embraces a position rooted in objectivity regarding what we know about reality. This is because Marx (1859/1979) believed that the way capital accumulates is fundamental to the configuration of social relations regardless of subjective interpretations, just as the *division of labour* creates definite classes of objectively varying privilege. Simply put, this ontological stance posits that one cannot analyze social production if one is divorced from the material conditions of the objective reality in which it exists; a reality where the physicality of matter (including the labour of human beings) is made up of finite, countable resources. As such, engaging with *HM* involves recognizing the objective dimension of social activity and the relations that govern it. This concept will be explored further later in this chapter.

The second fundamental principle is a preoccupation with the analysis of history. *HM* is considered revolutionary because it broke with the way we understood society up until that time. It sought to explain the present not by invoking divinity or any other such *idealisms*, but rather through empirical facts gathered through historical analysis. This is not to say it engages in historicism, which, as Marx (1859/1979) argued, deals with the study of history solely from a ‘neutral’ point of view (if such a thing even exists). Instead, *HM* is a mechanism used to tell a certain narrative; one concerned with the evolution of a mode of production in particular – i.e. capitalism – along with all the inter-related events that have shaped its evolution. This means that all Marxist analyses are always done from a very specific point of reference – i.e. the framework provided by Marx – and as such require that we take for granted a number of concepts for them

to work coherently. To this end, the historical dimension of understanding production⁵ begins with the idea that capitalism is a mechanism that requires exploitation to operate. As I will later elaborate it can be considered a construct, or *structure*, dependent on the process of capital accumulation, which in turn is dependent on having a small group of people exploit the rest of the population. In Marxist terms, this is referred to as the *division of labour* (or the division of classes).

The third fundamental principle of *HM* is what Marx (1859/1979) referred to as the *totality* of the analysis of capital. Related to the second principle, Marx believed in the importance of something called ‘historical coherence’, something he thought to be characteristic of all facets of human evolution (Althusser & Balibar, 1968/1970). In order to properly study production, he believed, we must first acknowledge that each generation inherits the *productive forces* developed by the previous one before it, further developing them and passing them on. This process is a fluid one, meaning any mode of production is constantly evolving (Althusser, 1965/1969, 221-234). And so when studying any such topics, Marx strongly believed that it was never enough to look at incomplete or isolated parts of human production if one sought to understand how it really operated. For him, only the ‘whole’ is true; a *totality* of events which includes within it each of the previous stages that created it (Althusser, 1965/1969, 221-234). Under this principle, theorizing about production would need to encompass all the interrelationships that make it what it is. It would need to detail the outcome of a sequence and set of operations set in motion long before the point where the bourgeois understanding of production takes place (Althusser, 1965/1969, 203-211). Any attempt to study capitalist

⁵ The concept of social formation as used here is one exclusive to Marxist literature. It is “loosely said to correspond to the ideological notion of society”, representing a “complex structure of social relations, a unity of economic, ideological, and, in certain cases, political structural levels” (Hindess & Hirst, 1975, 13).

production in this manner is thus inherently an interdisciplinary endeavor, where one must use a combination of economics, philosophy, history, etc., while being careful to isolate neither. This principle is important for this thesis because working out of this general framework is what Marx believed to be his most defining achievement; the creation of a ‘coherent theoretical whole’ – the *meta-theory* of Marxism (Althusser, 1965/1969, 132). Its object of analysis is the manner in which capitalist production, as well as the way in which the social relations that enable capitalism to remain the dominant mode of production, operate (known as capitalist production from this point on) (Althusser, 1965/1969, 201; Althusser & Balibar, 1968/1970). Ultimately, it is because of this preoccupation with the *totality* of analysis that *HM* comes to serve as both theory and method, and why a more traditional explanation of methodology does not fit very well in this instance.

Section 1.3: A critique of bourgeois theory in defence of Marx’s epistemology

The preoccupation of *HM* with the (*totality* of the) historical development of capitalism forms the basis behind the original critique brought forth by Marx and Engels against the economists of their time (going back as far as the fathers of modern economics, Adam Smith and David Ricardo) (Althusser & Balibar, 1968/1970; Brooks, 2002). Theorizing about capitalist production, Marx and Engels insisted, had always been hindered by an *empiricism* endemic to bourgeois economic theory. Itself an epistemology for studying the natural sciences stemming out of the enlightenment and classical liberalism (most notably that of John Locke), *empiricism* is the position that humans can gain valid knowledge of the world around them only from direct sensory experience (Delaney, 2013). Marx (1959/1979) believed that when applied to political economy, this view promoted the idea that things should be taken at their face value without

theorizing about what they really mean. He further argued that such an approach inadvertently sought to rationalize capitalism as a natural evolution of social practice, presenting it as the pinnacle of what modern human production should look like (a position he was against).

As Lefebvre (1991) points out, *empiricism* became the dominant epistemology of political science at the start of the 20th century, marked by a joint effort from those who laid claim to theory in relation to knowledge (bourgeois economists in particular) and those that mobilized the spheres of practical action based on such knowledge (politicians and capitalist entrepreneurs). They sought to define capitalist production in a fashion that seemed ‘positive’ and irrefutably ‘true’, later leading to the proliferation of positivism⁶ (Larrain, 1979). Some counted things or objects, describing machines and strategies for their mass production, while others described products, with an emphasis on the needs they fulfilled (and on what niche markets they were meant to fill). Flooded with empirical facts and lost in minor details, the empiricists’ flaw was detaching the temporal dimension (the cornerstone of Marx’s *HM*) from their object of analysis, in this case capitalist production, and instead treating it as its end result, the product. In other words, descriptions of machines and the commodities they produced came to pass as absolute truth of their existence (Lefebvre, 1991). As an intellectual movement, *empiricism* eventually moved beyond the realms of political economy and economics, spreading to the newly minted social sciences in the latter half of the 20th century (Spencer, 1987). This is significant because, as we will later observe, the fact that even today dominant bourgeois theories, the same ones deemed authorities on the causes of the recent crisis, remain heavily trapped in the bubble of *empiricism* is a major point of contention for this thesis.

⁶ Positivism is a philosophy based on empiricist epistemology which states that information derived from logical and mathematical reports of sensory experience is the *exclusive* source of all authoritative knowledge, and that truth (i.e. valid knowledge) can only come from this method. Positivism then is to be taken here as an extreme form of epistemological *empiricism* (Larrain, 1979).

Marx's (1959/1979) original critique of *empiricism* was that it produces narrow and uncritical knowledge. He argued it reduces the concept of capitalist production to a mere confirmation of the empirical, which is then further muddled within meaningless classifications, descriptions, and segmentations along with their respective bureaucracies. The idea is that treating objects and events in such fashion, the fetishization of production, prevents us from critically examining our condition under the capitalist mode of production. Althusser (1968/1970) later expanded this argument by mapping an array of contradictions inherent to the empiricist mode of analysis. *Empiricism*, he noted, not only betrays its own tenets, but hardly amounts to anything more than an ideology⁷ rooted in abstraction and reductionism⁸. More specifically, he concluded that: i) despite its claim to adhere to ontological realism, its methodology in fact produces false knowledge, disconnected from the real nature of the object of analysis (i.e. objective reality); and ii) in its arrogant insistence of being the only methodology that can produce any real truth about the world, it inhibits any dissenting opinions or critical inquiry into the validity of any 'outside' proposed concepts.

Regarding the first point, Althusser & Balibar (1968/1970) further argue that when using *empiricism* to study knowledge, a process occurs that performs the operation of what they dubbed 'reduction'. Though this process is individual to each object of analysis, the

⁷ I use the word ideology here in the Althusserian sense, in that it is "a system (with its own logic and rigour) of representations (images, myths, ideas or concepts, depending on the case) endowed with a historical existence and role within a given society" (Althusser, 1965/1969, 234). This role is the abstraction (and ultimately the hiding) of the very real social relations that exist in society – i.e. the political division labour and its exploitation. In this sense then ideology serves to aid the status quo by hiding the real conditions of existence under capitalism, leaving only 'imaginary' conditions, which then take the mantle of being real; it comes to express "a will, a hope or a nostalgia, rather than describing a reality" (Althusser, 1965/1969, 234). Although Marx himself has never given a clear definition of term ideology, he has alluded to its existence in several instances. In *The German Ideology* (1932/1968) for instance, he states that "the ideas of the ruling class are in every epoch the ruling ideas, i.e. the class which is the ruling material force of society, is at the same time its ruling intellectual force" (6). Later in the text, he alludes to the notion that ruling ideas forming a 'mirror' of reality for those living within a particular *social formation* that, although false, tricks humans under capitalism into believing otherwise.

⁸ Reductionism is an analytical tool comes from the natural sciences, where it was designed to deal with the "chaos and complexity of brute observation" (Lefebvre, 1991, 105).

methodology of reduction is always the same: isolate the object from its surrounding, ‘unnecessary’ facets. This is because the empiricist believes the object of study must be calculated in its ‘purest’ form, unburdened by the complexity of having to consider the range of possible facets of its existence. As such, the object is first observed by the senses and then plucked from its reality by reducing its intricacy (i.e. here it is abstracted), after which knowledge is produced by studying it in this abstracted form (hence therein lies the problem). This is not to say that those seeking to analyze capitalist production should never employ abstraction, as it does have its uses⁹, but one must be careful to return the object to its original complexity by tying it back to the real world by the end of the conclusion. If not, the legitimate operation of abstraction as a theoretical tool is adulterated; it becomes a trap where the object is over-simplified under the flag of reductionism and never quite brought back to the realm of objectivity, so any and all knowledge that comes out of this procedure is itself abstracted and disconnected from the reality of the object. This means that often times what the empiricist claims as valid knowledge of an object is not a reflection of the reality of said object, but is in fact what Althusser & Balibar (1968/1970, 61) called ‘false knowledge’ – “solely [...] products, [...] results” – produced only as a result of the abstraction process that was applied to the object of study. It is for this reason that Althusser & Balibar (1968/1970) argued *empiricism* betrays its own principles; it employs a methodological process that is not at all concerned with knowledge that is directly gathered through the senses, and so cannot even be considered empirical. They further add that, as a result, the empiricist mode of analysis cannot possibly hope to comprehend

⁹ Marx himself employs abstraction to explain certain ideas in his work. In fact it would probably impossible for him to start a discussion of the underlying social relations of capitalist production without at least superficially abstracting some concepts. What redeems Marx and dispels the empiricists’, however, is the gradual restoration of what has been temporarily set aside, those ‘unnecessary facets’ of the object of study, so that by the time the analysis concludes knowledge of the object of study is considered in its *totality* (hence why this is a central tenet of *HM*) (Althusser & Balibar, 1968/1970).

the intricate relations of capitalism, many of which operate hidden from direct view. The idea here is that capital production cannot be studied by virtue of reductionism, this being precisely why Marx's notion of *totality* is so important.

Concerning Althusser's second criticism, consider that the empiricist subscribes to the belief that one can only derive a valid conclusion about an object if one looks at the object through a particular process. This means that the theoretical limitations around any conclusion the empiricist draws will not be recognized due to the insistence that his process is the only one that can produce real truth, and so falsely believing that any knowledge it produces must also be an absolute truth – i.e. must be objective knowledge of the object of study (Althusser & Balibar, 1968/1970). Any conclusion that may be indeed false but is instead considered real knowledge of the object is then preserved and further proliferated, calling into question all perspectives offered by dissenting thought. Those who want to be heard are forced to situate their discourse and use the terms they are offered without the possibility of argument outside the bounds of these terms. Furthermore, a lack of perception of the existence of these boundaries on the empiricists' part constitutes another a hurdle to cross if to be taken seriously. In short, false truths produced by the empiricist fail to be detected as such due to the impossibility of 'looking inside' from an outside that has not been recognized (Althusser & Balibar, 1968/1970). The subjective abstraction of knowledge only allows the production of new knowledge along the terms of the original argument. This then becomes a never-ending cycle where the empiricist fails to wake up to the fact that his systematic reduction of facts is actually part of political practice, a veil for an ideology (often in the service of capital) meant to establish 'truth' and quell dissent – Althusser & Balibar (1968/1970) famously referred to this as the "myopia" of bourgeois economists (19). And because mainstream political economy is mostly run by said bourgeois ideologists, other

approaches to the issue (crises in capitalism) that attempt to apply ‘outside’ theories (Marxism) are quickly shoved aside. This is significant because, as we will later observe, mainstream narratives on the recent crisis are especially guilty of promulgating this problem.

Section 1.4: Structuralism, Althusser, and Marx’s Epistemological Break

In advocating a return to *HM*, I have gone to some length in explicating the need to rescue our ability to theorize about production from the epistemological reductionism of bourgeois theory. By combining Althusser’s criticism of *empiricism* with the tenets of *HM*, I made the case that we now have an epistemological framework that not only respects the original methodology used by Marx but lays the foundation for a more defensible theory (from an epistemological perspective) of capital production. There is now another matter I wish to turn my attention to, one which I hope will make clear where the theoretical model I advocate fits within the so-called ‘new left’ (Harvey, 1989; Rectenwald, 2013). I say this knowingly, as I take an ontological position which may be dismissed by some as some sort of flirting with Althusserian *structuralism* that should have been left buried in the annals of history. To such skeptics I ask that you remain but for a few more pages as to better grasp the reasons behind my firm belief that a structuralist critique of capitalism can still be very beneficial when analyzing the recent crisis.

Since criticism is frequently levelled against classical Marxism for a lack of a formal ontology, I took the liberty of juxtaposing Marx’s position on the ‘philosophical materialism’ discussed earlier with what I find to be a tradition with a very similar method of inquiry, namely *critical realism* (specifically the ‘depth realism’ used by Roy Bhaskar in his earlier works). *Critical Realism* (CR) accurately captures the ontology of Marx’s *HM* while similarly being at

odds with the extreme *deconstructivism* inherent in those claiming to pursue Marx from a humanist perspective. Ultimately, it is by virtue of CR's clear ontological position that Marxist theory can achieve the emancipation potential it deserves.

In many ways, my opposition to humanist critiques of capital production mirrors that of Althusser's in his dismissal of the humanist movement within Marxism that dominated the tradition during his time. By drawing a distinction between the work of 'young Marx' and that of Marx proper, Althusser attempted to separate himself from the emergence of a new strain of Marxists in the mid-twentieth century. These were individuals convinced that, during his early years, Marx was forming his ideas from a humanist perspective rooted in the *idealism* of Hegel, and that his later work was still indistinguishable from those same principles (Althusser, 1965/1969). Althusser on the other hand reasoned that the two versions are not only different but fundamentally incompatible, revealing a clear evolution in Marx's intellectual development. He further argued that those who refused to accept this fact by either exclusively dealing with the work of young Marx, or claiming to find Hegelianism in later works such as *Capital*, were doing a great disservice to the tradition. At the heart of this debate was an issue of ontological perspective, and contrary to those who may think this issue is resolved or transcended, it is one that still plagues the tradition to this day.

Althusser believed that sometime around 1845 Marx began to radically break away from his earlier theories by replacing Hegelian *idealism* with a materialistic philosophy that drastically changed the ontological foundation of his critique of capital production. This rupture was evident in a number of changes¹⁰ that led to the formation of a new theory of history and politics – i.e.

¹⁰ For example, alienation (mentioned as such; influenced by the Hegelian concept of the same name) is a concept found almost exclusively in the 1844 Manuscripts, written fairly early in Marx's academic career. Althusser argues that Marx dismissed the concept altogether in *Capital* and replaced it with the term *fetishism*, precisely because he thought Hegel's version inadequately explained the *real* object of analysis. Alienation was indeed too abstract and

HM – that kept Hegel’s sensitivity to temporality but heavily modified his model of *dialectics*. So while the ‘historical’ part of *HM* is not hard to understand (i.e. it simply means the present is explained by analyzing the past, reflecting Hegel’s ‘philosophy of history’), it is the term *materialism* that represents a rupture with Hegelianism which, as Althusser (1965/1969) correctly pointed out, is no “secondary detail; it is Marx’s scientific discovery” (227). In other words, the ways in which Hegelianism and *HM* arrive at given truths, termed here as the process of *dialectics*, are radically different. Since cataloging every point in Marx’s ontological evolution is beyond the scope of this thesis, I briefly compare his model of *dialectics* to that of Hegel’s in his famous ‘master-slave dialectic’, found in *The Phenomenology of Spirit* (1807). Here, Hegel explains how a hypothetical slave might be able to overcome his alienation (roughly equivalent to mean oppression or exploitation in this context), at the hands of his master.¹¹ The master-slave problem is ultimately resolved, Hegel reasoned, when the servant is able to come to a realization of his existential condition, specifically when he comes to grips with the role he plays in this relationship (that he is, in fact, an oppressed slave). This parallels Marx’s model of *dialectics* in that it is this realization which initiates a change in the slave’s social condition for the better (Marx calls this realization class consciousness; the worker’s realization that he is exploited by the capitalist) (1859/1979). Yet unlike Marx, Hegel argued that this realization is achieved quite differently, and it is here that the ontological difference between the two models is most apparent. Precisely because *idealism* centres on the notion that ‘the idea creates the world’, the servant produces both his own and his master’s existence in that the master exists only because he is envisioned as such by the servant; the term ‘master’ is purely a conceptual one. For Hegel,

subjective. Instead a new theory was needed; one able to better study the ‘scientific problematic of capital’ – i.e. *HM* (Althusser, 1965/1969; Elden, 2004).

¹¹ It should be noted that this dynamic can easily be applied to many other situations, be it proletariat versus bourgeois, or, more generally, the oppression of individuals under capitalism as a mode of production; the ‘slave’ and the ‘master’ are simply rhetorical tools to be used as such.

the servant's realization of his condition is achieved not when he realizes that the master is in fact oppressing him as a real and tangible individual, but rather vice-versa; when he realizes that the master is dependent on him; after all, one cannot be a 'master' without a 'slave' to dominate. What we are left with is a very curious predicament. The servant has now supposedly overcome his servile existence, yet nothing has really changed. The objective social relationship between master and servant is the same at the end of the process as it was at the beginning; regardless of how the slave conceptualizes his relationship with the master, the master is still parasitic on the labour of the servant. What exists instead is the illusion that thought is reconciled with reality, but reality itself is never reshaped and the conditions of oppression continue to exist objectively. This means that for Hegel, the *dialectical contradiction* is resolved only conceptually (i.e. in the slave's consciousness) and does not reconcile the objective contradiction, as it has no real autonomy apart from thought alone (Creaven, 2001, 139). It is because of this predicament Marx believed the point of departure should not be a conceptual one, but the material world. Contradictions for Marx exist outside of human consciousness, unfolding independently of thought and cannot possibly be dissolved with the mind alone; one cannot trick themselves into thinking that the subjective contradiction is solved when the objective contradiction still remains. To resolve the contradiction, awareness of one's oppressed condition must be followed by tangible action in the objective reality; this is precisely why Marx envisioned his project as one for political emancipation rather than philosophical debate.

By (re)conceptualizing *dialectics* as such, Marx replaced the old postulates of Hegel, which based history and politics on subjectivity and the essence of man (i.e. the notion human thought creates reality) – ontological *deconstructivism* – with a materialist theory that dealt with human social practice. In Althusser's (1965/1969, 229) words, *HM* allows for a “concrete

conception of the specific differences that enables us to situate each particular practice in the specific differences of the social structure”; a structure based on real political practices rooted in the objective world around us. It is precisely because of this that Althusser was so adamant about banishing any form of Hegelianism from Marxism, for he was convinced that late Marx transcended “the idealist illusion of believing that the knowledge of an object might ultimately replace the object or dissipate its existence” (Althusser, 1965/1969, 230). Althusser thus rejected the notion that knowledge of an object was superior to the object itself, as was the nature of the subjectivism found in the humanists of his time. Knowledge of the nature of money, for example (as a social relation), is not more important than the reality that money does indeed exist as a thing, and that its physical manifestation (as both an object and a social relation) is objective; its existence in the ‘real’ world constitutes the reality of its very being. Without a doubt, this ontological position is evident in much of Marx’s later writings. He clearly acknowledged this as early as *Preface to the Critique of Political Economy* (1859/1979), stating that “men inevitably enter into definite relations, which are independent of their will” and that “it is not the consciousness of men that determines their existence, but their social existence that determines their consciousness”. Similarly, in *Marx’s Mathematical Manuscripts* (1879/1983) he pointed out that the processes (i.e. structures) by which man begins to make a living already have a social character that predate his birth, and later in *Theses on Feuerbach* (1888/1976), he could not be more clear: social practice is real.

This inversion of *Hegelian dialectics* positions Marx’s conceptualization of reality as one that is fairly consistent with what is known as ontological realism. This position argues that there is such a thing as an objective reality which exists independently of whether individuals choose to accept it or not and is one of the two main tenets of Roy Bhaskar’s CR framework (alongside

epistemological interpretivism, which is equally applicable to *HM*) (Bhaskar, 2005; Bhaskar, 2010). Much like Althusser and Marx before him, Bhaskar opposed ontological subjectivism claiming any such model is dangerously close to falling into the void of radical relativism, failing to achieve anything beyond the conceptual level.

Any serious attempts at changing social practice must therefore accept that there is such a thing as an objective social structure which predates the individual. In *Possibility of Naturalism* (1979/2005) for example, Bhaskar writes that “the predicates designating properties special to persons all presuppose a social context for their employment” (30). He elaborates on this notion in *Plato excetera* (1994/2010), stating that the ontological realism of CR is a doctrine that asserts the inherent dependence of the social upon the material (and hence physical) world, whereby the former must always arise out of the latter. What we are left with here is a physical plane – a *materialism* reminiscent of Marx – that indicates the existence of an exclusive objectivity where the ‘bottom’ of reality is ‘matter’ (Creaven, 2000, 29). This means that the object of study for academics wishing to analyze social practice must be based on the ‘natural’, and that the historical development of the first always comes out of the latter (Creaven, 2000, 135). Hence why Bhaskar (1979/2005) was clear that the social structure does indeed pre-exist any living individual, and although individual actions reproduce this structure, it cannot be considered the product of individual activity. The social relations that govern capitalist production must therefore be studied in their own right, and this must occur before the actions of the individuals filling these relations can be analyzed (Bhaskar, 1979/2005; Ehrbar, 2007, 4). Marx similarly rejected subjectivism in *Grundrisse* (1939/1973), where he stated that “society does not consist of individuals, but expresses the sum of connections, relations, in which these individuals stand with respect to each other” (202). In short, it is impossible to conceptualize social or cultural

constructions devoid of the material reality in which they exist. This makes any rejection of ontological realism incompatible with Marxism proper. That means that the theoretical model upon which this thesis is built a *materialism* that is at once anchored in ontological realism while also epistemologically interpretivist. In this manner we avoid both the trap of *empiricism*, as presented earlier in this chapter, as well the dangers of unchecked deconstructivism as argued by Althusser.

Moving forward, the significance of all the information presented herein should be made clear. In the first half of this chapter, I have briefly reviewed the Marxist resurgence that occurred in wake of the 2007-09 global financial crisis. I then turned to interrogating Marx's preferred analytical mode of inquiry, namely *HM*, and discussed how it is to be applied for the purposes of this thesis. I have also spent some time discussing Althusser and what he brings to the formal Marxist critique of the empiricism found in bourgeois theories on production, which dominate the modern landscapes of political economy and economics from which social policy on managing crises is formed. To this end, we have learned of the so-called empiricist trap and Marx's argument against it, specifically the fallacy of attempting to analyze production by dividing it as an object of study; instead, all interrelated parts must be considered in their entirety if true knowledge is to be gained from the experiment (the most important of which being facts gathered by virtue of historical analysis – a priority for *HM*) (Marx, 1965/1983). This is because each of the processes that make up capitalist production are the sum of the total number of events that precede them, hence why considering all these interrelated elements in their totality was considered Marx's crowning achievement (Althusser, 1971). Near the end of the chapter I have also spoken of the arguments against Hegelian idealism and the humanist movement of Althusser's time, setting the stage for why fusing structuralism with Marxism is a worthwhile

endeavor (such as protecting it from the extreme theoretical subjectivism we still see associated with the social sciences today) (Harvey, 1989). Of prime importance here is the idea that these structures predate the individual, and so to create a Marxism that has emancipatory potential we must first begin by dispelling foolish notions of ontological subjectivity and focus on the objective conditions under which capitalism operates (Althusser, 1969; Althusser & Balibar, 1970).

The relationship between the above-mentioned developments and the objectives of this thesis is significant for several reasons. The fact that the theoretical model proposed is based on Althusser's interpretation of what constitutes 'late Marx' and his theory on structuralism is of prime theoretical importance (Althusser, 1971). It explains why the theory proposed starts by rejecting the epistemological empiricism apparent in bourgeois theories on production while also being at odds with the Hegelian idealism that has infected 20th century Marxism under the humanist movement (Althusser & Balibar, 1970; Coburn et al., 2010). On the surface, this helps solidify the theoretical model I outline in the next chapter with a clear epistemological and ontological point of reference as to placate those who argue that orthodox Marxism is theoretically outdated, in that it lacks any concrete epistemology and methodology (Marx, 1965/1983). Digging deeper, the position that capitalist production is founded upon what are very real and objective conditions (available materials, labour, instruments of production, etc.) helps set up a central point I present in the next chapter and return to throughout the thesis: capitalism exists only because it is dependent on the continuous functioning of certain structural mechanisms, without which it cannot reproduce itself as a mode of production. As we will later observe, examples of these include the structural tendencies for exploitation and for fetishism, concepts which are missed or ignored by bourgeois theories because, for reasons that will be

made clear, they fall into the empiricists' trap. In turn, this will allow us to make the argument that the responses from mainstream economics to the 2007-08 crisis are similarly stuck in the same trap, overly concerned with debating an array of events which, when isolated, are believed to have single-handedly cause the crisis. But as we will see in chapters three and four, however, this could not be further from the truth; the recent crisis is but the tip of the iceberg of a much bigger problem related to the structural tendencies of capital accumulation over a century in the making. Looking at the Greek sovereign-debt recession in this manner, this being the most severe crisis among developed capitalist nations, we will observe that the way it was handled by the international institutions responsible for managing the crisis similarly reflects a lack of imagination, revolving around debate between competing bourgeois theories that has existed for decades (Bezemer, 2014). It is hoped that this will dispel the common explanation that the fault for the longevity and duration of the crisis lays with the Greek people and their elected officials, as mainstream narratives maintain, as opposed to the corporations and institutions that profited from it, and, ultimately, the structural contradictions of capital accumulation which have been growing more and more apparent in the neoliberal age.

CHAPTER TWO: PRODUCTIVISM, THE ZEITGEIST OF CAPITAL

The highest development of productive power together with the greatest expansion of existing wealth will coincide with the depreciation of capital, degradation of the labourer, and a most straitened exhaustion of his vital powers. These contradictions lead to explosions, cataclysms, crises, in which by momentous suspension of labour and annihilation of a great portion of the capital of the latter is violently reduced to the point where it can go on. [...] These regularly recurring catastrophes lead to their repetition on a higher scale, and finally to [capitalism's] violent overthrow. – Karl Marx in *Capital (Volume II)* (1939/1973, 676)

Section 2.1: Regarding Marx's theory of crises in capitalism

In this chapter, I review several arguments put forth by Marx and Engels with select clarifications from Harvey and Althusser, among others, on the nature of economic crises in capitalism and what these mean for the reproduction of this mode of production. The latter two authors are chosen for very specific reasons, particularly because: i) they continue the tradition of 'late Marx' in chronological order – i.e. while Althusser gives shape to structural-Marxism in the mid-20th century, while Harvey continues to engage with a materialism reminiscent of Althusser's anti-Hegelianism in the late 20th and early 21st centuries; ii) they help give structural-Marxism a clear ontological and epistemological stance – i.e. Althusser's critique of bourgeois *empiricism* aligns Marx with epistemological interpretivism, while Harvey's work on materialism situates the model as one rooted in ontological realism (hence the similarity between Marx's *historical materialism* and Bashkar's *Critical Realism* presented in chapter one); and iii) they expand incomplete or partial conceptualizations in the original work – e.g. using Harvey's 'spatio-temporal fix' to further develop theoretical application of Marx's *counter-acting measures* so that the model can be applied to the micro-level (i.e. the later Greek analysis). Nonetheless a good portion of this analysis is therefore theoretically abstract; it is meant to present relevant concepts and weave them together into a coherent narrative that resonates with the *meta-theory* that is structural-Marxism. The logical flow of these arguments is meant to

mirror the explanation of a general structural-Marxist theory on crises, the objective of which is to create the conditions under which it can be applied empirically in the next chapter.¹²

This chapter is divided into two sections. Part one explains the theory of capital accumulation, including detailing the way in which capital circulates leads to particular structural tendencies within the reproduction of the capitalist mode of production. Here I revisit Marx's arguments on capital accumulation and find that: a) it is a process rooted in a pursuit of *surplus-value* which inherently cannot abide by a limit, dependent on a continuous re-investment of profits into the *means of production*; and that b) each time capital accumulation encounters a 'blockage', it attempts to transform it into a barrier to be circumvented (Harvey 2010b; 2014; Marx 1848/1969). Part two revolves around the notion that capitalism operates in a contradictory manner, and that there is one particular contradiction which acts as an impediment to capital accumulation, forming the basis for a structural-Marxist theory of crises: the tendency for *productivism* (Harvey, 2010b; 2014; Marx, 1863/1963; Marx 1932/1968). As one of the major contradictions of capitalism, it is exemplified by the relationship between the objective of capital accumulation, as dictated by the law of *expanded reproduction* (or *compound growth*), the theory on the falling rate of profit, the so-called *profit-squeeze*, and the problem of demand brought on by the *overproduction* of capital (Marx, 1888/1976). When taken together, these elements reveal that the way in which capital accumulates under the capitalist mode of production leads to the gradual decline of this mode of production's ability to reproduce its *economic structure* in the long-term.¹³

¹² Note that many of the concepts presented inadvertently cross between the macro and micro levels of the theory, this generally being considered one of the central features of Marx's take on political economy (as reflected in his notion of *totality*). This contrasts bourgeois economics, where the macro and micro are often disconnected, resulting in very different conceptualizations at the both levels despite use of the same terminology (Mandel, 1968/1970).

¹³ It is important to keep in mind that Marx never did have the opportunity to finalize what could be called a 'general theory' on capitalist crises before his death in 1883 (Christiansen, 1976, 20-21; Harvey, 1982, 196; Heinrich, 2013, 1). As such, even if the arguments to create such a unified framework exist, more often than not they

It is important to keep in mind that Marx never did have the opportunity to finalize what could be called a ‘general theory’ on capitalist crises before his death in 1883 (Christiansen, 1976, 20-21; Harvey, 1982, 196; Heinrich, 2013, 1). As such, even if the arguments to create such a unified framework exist, more often than not they remain incomplete and scattered throughout several works, most notably all three volumes of *Capital* (1867/1887; 1885/1956; 1894/1959), *Grundrisse* (1939/1973), *A Contribution to the Critique of Political Economy* (1859/1979), and the *Anti-Dühring* (1874/1947). This predicament has not stopped some of his supporters from attempting to put together such a theory since his passing, despite that the high degree of interpretation necessary to discern these works has frequently resulted in a number of different, sometimes conflicting models (Christiansen, 1976, 21; Sewell, 2012).

PART I: Capital circulation and the structural tendencies of accumulation

Section 2.2: On commodities and the evolution of money-capital.

As an undergraduate student I thought Marxism was essentially about exploitation. I might have vaguely pointed to the notion of class conflict, probably conceptualizing it as something akin to blue-collar workers being exploited by some caricatured ‘Big Business’. While exploitation is indeed a central tenet to Marx’s theories, to say that his critique of capitalism focused solely on this concept is a misleading. This is because exploitation is in fact the conclusion he draws by looking at something else, namely the reproduction of the economic and social relations that enable capitalism to continue to exist as the dominant mode of

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production (Harvey, 2004). The theory of capitalist crises is inherently tied to this reproduction, and so I begin my analysis by looking at the relations that govern the lowest common denominator of production, what he believed to be the basic building block of capitalism, the *commodity* (Marx, 1867/1887, 27). Only by mapping its genesis and the purpose of its circulation can we then observe that capitalism suffers from particular structural tendencies; features of capital accumulation that reveal clues about the relationship between crises, exploitation, and the reproduction of the capitalist *relations of production*.

In the first chapter of *Capital (Volume I)* (1867/1887), aptly named “Commodities”, Marx notes that what differentiates man from beast is a compulsion to change the materials in nature around him in such ways as to make them useful (27-29, 47). The *commodity* is the fruit of this process. It is an object created to fulfil a human need. How a *commodity* is valued depends on its individual usefulness, or rather how well it satisfies its desired purpose. This usefulness is an intrinsic characteristic individual to each *commodity*. For example, while one could argue that a chair and a desk are equally useful because they complement each other, from an individual perspective the needs they fulfill are clearly different. The point Marx (1867/1887) tried to make here is that the usefulness of commodities is essentially a measure of the value we attach to them, marking the first theoretical concept proposed in *Capital*, that of *use-value* (27).

Common knowledge dictates that the exchange of goods has been a defining factor of social formations¹⁴ since antiquity. Primitive human societies recognized early on that the ability to exchange something unwanted for something needed – i.e. the exchange of items with different *use-values* – is extremely beneficial. At some point during this development however, it

¹⁴ The concept of social formation as used here is one exclusive to Marxist literature. It is “loosely said to correspond to the ideological notion of society”, representing a “complex structure of social relations, a unity of economic, ideological, and, in certain cases, political structural levels” (Hindess & Hirst, 1975, 13).

became clear that exchanging one *commodity* for another posed a special predicament. How could one determine, for example, how many chairs will equal what number of oranges, given that both these objects have such radically different *use-values*? Solving this problem necessitated the introduction of a universal element of measure, a common denominator that could be used to peg the objects in question to, capable of weighing different *use-values* on a similar scale as to facilitate a fair comparison (Marx, 1867/1887, 67). For European social formations dating from classical antiquity to feudalism and even up into the industrial revolution, this common denominator existed in the form of coin currency, usually molded from precious metals (with the rarity of the metal in question proportionate to the value of said currency). With the advent of modern capitalism as the dominant mode of production since roughly the early nineteenth century onwards, it has taken the form of printed money as we know it today. Marx (1867/1887) called this *money-capital* (533).

Money-capital is capitalism's flagship representation of *use-value* for a very important reason. On the surface there is the obvious: it can be easily standardized from a numerical standpoint and printed en masse as to represent even the most miniscule of assigned values. More important, however, is the fact that it excels as a medium of exchange, allowing for the rapid interchange of a vast number of commodities simultaneously. This flexibility is of paramount importance, since efficiency of circulation is equally important, if not more so, to the capitalist mode of production as is the ability to measure *use-value*. Rare natural elements like gold or silver are great measures of value on paper; they can be stored indefinitely in a wide range of conditions, cannot be replicated, and are relatively easy to authenticate. As a medium of exchange however, they do not facilitate the kind of mass circulation characteristic of advanced capitalist societies, which have very complex markets with a high capacity for *commodity*

movement at any given time (Harvey, 2010a, 54-55). In other words, it is highly impractical for one to walk around today with pockets full of precious metals, just as it is equally unlikely that there exist enough of these to divide as to account for the wealth discrepancies we observe in modern capitalist social formations. So while gold or silver are excellent measures of value in theory, the fact that they are inefficient mediums for circulation explains why they are no longer serious contenders for being the standard denominator of value.

The transition from these older forms of currency to *money-capital* as we know it today has been quite gradual. Since the introduction of printed money, the global economy has been tied to the value of gold to varying degrees (this is known as the ‘gold standard’). As we will later observe, most of the world’s nations still pegged the value of their individual currencies to the relative value of the U.S. dollar (which, in turn, was attached to a fixed quantity of gold) well into the 20th century (Selgin, 2014). Bourgeois economists have always lobbied against the gold standard or any such mechanisms, seeking to have currencies float against themselves in order to increase profits, and in the 1970’s they finally succeeded. This example will later serve to underline a consistent effort, on the part of capitalism, to free *money-capital* from any material limitations, allowing the illusion of infinite capital accumulation (Harvey, 2014, 232). These findings are of critical importance to the Marxist theory of crises, for Marx (1894/1959) believed that *money-capital*, when unhinged from any material value, will try to multiply itself indefinitely (319).

Section 2.3: On the circulation of money-capital and the accumulation of profit

The primary advantage of even the most basic of trade arrangements involving *money-capital* has been allowing individuals to exchange whatever they may not want for something

they need. From the perspective of the initial seller, this chain of events involves a transformation: first of the *commodity* into money, and then of said money into a different *commodity*. This formula is noted as the *C-M-C* relation of circulation (also known as *commodity-capital*¹⁵ circulation), where *C* stands for *commodity* and *M* for money (Harvey, 2010a, 63-64). Marx (1867/1887; 1885/1956) noted that commodities go through a manipulation of form during the process of trade, beginning in the *C-M* side of the exchange when the *commodity* is first sold (104-105; 15-20). In other words, what we have is a physical *commodity* with a specific *use-value* that is then transformed into its universal equivalent, the common-denominator of *money-capital*. But there is more to this transformation than the mere physical change of form the *commodity* endures when it is monetized. The *C-M* side of the exchange also represents a manipulation of value. At the start of circulation the *commodity* undergoes a change of form by shifting from a specific type of value, its individual *use-value*, to a universal type of value – represented by *money-capital* – called *exchange-value* (Harvey, 2010a, 17; Marx, 1867/1887, 27).

That being said, the objective of *commodity-capital* circulation is always the exchange of *use-value*. Something of a particular *use-value* is converted into its *exchange-value* and then back into *use-value*, with *money-capital* being nothing more than the medium through which these conversions occur (Marx, 1867/1887, 104-106). It is implied that the amount of value at each end of the circulation must always be equal, since both the beginning and the end points of *commodity-capital* circulation are concerned with *use-value* (Marx, 1867/1887, 106). A shirt that sells for thirty dollars for example, should always buy thirty dollars' worth of tomatoes. Classical economists like Ricardo and Smith believed this model of circulation, *C-M-C*, is what defines

¹⁵ The term *commodity-capital* highlights the fact that the commodity itself is the main form of capital in circulation, with *money-capital* of secondary importance.

capitalism (Marx, 1867/1887, 67-84). The shift to the capitalist as a mode of production makes sense, they would argue, because in its innovation of *money-capital* it managed to facilitate the most efficient circulation of *commodity-capital* of any mode of production to date. In this context capitalism is reasoned to be the natural evolution of that most basic need of human societies to exchange goods. Marx (1867/1887) on the other hand disagreed, arguing that the reality of circulation in capitalist social formations reveals quite a different narrative (15).

After a lengthy examination of industrialized nations in nineteenth century Europe, which is far beyond this thesis to discern, Marx concluded that in capitalist social formation the *C-M-C* relation of circulation is adulterated. Here, a different form of circulation dominates: *M-C-M* (Marx, 1867/1887, 105). The formula flips: the individual enters the market with an amount of *money-capital* seeking to transform it into a specific *commodity*, and then sell it in order to change it back into *money-capital*. Marx (1894/1959) explained the different stages of this phenomenon as follows:

First stage: The capitalist appears as a buyer on the commodity and the labour-market; his money is transformed into commodities, or it goes through the circulation act $M - C$.
 Second Stage: Productive consumption of the purchased commodities by the capitalist. He acts as a capitalist producer of commodities; his capital passes through the process of production. The result is a commodity of more value than that of the elements entering into its production. Third Stage: The capitalist returns to the market as a seller; his commodities are turned into money; or they pass through the circulation act. (15)

The problem with this form of circulation is that it leads to the curious phenomenon of buying in order to sell – i.e. exchanging money for money – or as Marx (1867/1887) famously proclaimed, “money begetting money” (108). *Commodity* assets, once considered the main form of capital in the *C-M-C* circulation, are now judged solely on their *exchange-value*, in other words only in terms of how much they are worth. *Money-capital* plays a different role here because it dethrones the *commodity* as the main form of capital, and this ultimately alters the purpose of the exchange.

The capitalist becomes more interested in the accumulation of money than in the trade of tangible commodities, viewing it as something to acquire for its own sake. He forgets that the intended purpose of currency is simply to be only that of a medium through which to exchange *use-value*. In short, whereas *use-value* is the focus of $C-M-C$, the purpose of $M-C-M$ is always *exchange-value* (Marx, 1867/1887, 106).

Upon closer inspection this form of circulation becomes more intriguing for a very specific reason. $M-C-M$ would imply that the amount of money, M , is symmetrical at both ends of circulation, but this cannot be true. It is impossible for someone to buy commodities at their value, sell them at said value, and have this be a profitable enterprise in the end. There would be no incentive to engage in such a form of exchange since money is distinguishable from itself only in numerical value – i.e. one can only have more or less of it (Harvey, 2010a, 63; Marx, 1867/1887, 106). The only logical reason as to why someone would engage in the act of exchanging money for itself happens to be the hope that somewhere down the line of circulation the amount of money initially invested eventually grows – i.e. creates a profit. In chapter four of *Capital* (1867/1887) (*Volume I*), “The General Formula for Capital”, Marx argued that the better way to conceptualize the $M-C-M$ relation is by re-writing it as $M-C-M'$, where $M'=M + profit$ (106). Once again taking M to mean money and C for *commodity*, this is a form of circulation where the end result, M' , is the amount of capital initially invested plus a monetary increment in the form of *surplus-value*. This reveals something very important about capital accumulation: profit is always the prime directive (Beams, 2008, 3). Maintaining the flow of capital in circulation then becomes extremely important for this reason because it is what keeps profits afloat, meaning that any interruptions will inevitably incur losses (Harvey, 2010b, 38). Alternatively, there is a strong incentive to accelerate the speed of circulation, as capitalists who

can navigate the various phases of circulation faster will attain higher returns than the competition. Because speeding up the process almost always pays off in higher profits, technological innovation and other increases in productivity that help achieve a faster circulation of capital are very much sought after. Nonetheless as we will later see, speeding up production in this manner comes with its own downsides.

By conceptualizing the circulation of *money-capital* as such, there are several apparent conclusions we can draw about the way in which capital accumulates, and ultimately about the way in which capitalism reproduces itself. Marx (1885/1956) referred to these as the “tendencies” of capitalism; patterns in its historical development that reveal the contradictions of capitalist production (64, 72). There are three of these general tendencies¹⁶ that are essential for a well-rounded framework on crises, specifically: i) the structural tendency for *productivism*¹⁷; ii) the structural tendency for *fetishism*; and iii) the structural tendency for exploitation. All three are conceptually related on an intimate level, and as such it is imperative to briefly describe each in order to provide a general idea of what this relationship entails (these concepts will feature extensively to a greater extent throughout the rest of this thesis).

Section 2.4: On the structural tendency for productivism (or infinite accumulation)

Productivism belongs to what Harvey (2014) calls an “extremely dangerous but largely unrecognized and unanalyzed contradiction” (222). It is best described as something of an incessant attempt, on the part of capitalism, to circumvent the material limits of capital

¹⁶ For a more comprehensive analysis on the many contradictions of capitalism, see David Harvey’s *The Seventeen Contradictions of Capitalism* (2014).

¹⁷ It should also be noted that the tendency for *productivism* is a general term I apply to a number of inter-related tendencies (the falling rate of profit, *overproduction*, and the *concentration and centralization of capital*; more on this later in this chapter). Although different in substance, I group them together here because they all serve to reveal the same contradiction of capital accumulation – i.e. the paradox of infinite economic growth in a finite material reality.

accumulation (meant to exemplify the contradiction between a finite material world and the infinite drive for capital accumulation). To better explain what this means we must remember that the principle behind *money-capital* circulation is to start with a set amount of money and then circulate it, by buying and selling commodities, as to increase its quantity (Marx, 1867/1887, 104-118). Based on this we can conclude that if M' does not materialize at the end of circulation, the capitalist fails in his most basic purpose – i.e. the accumulation of profit. As Marx (1867/1887) explained:

Use-values must therefore never be looked upon as the real aim of the capitalist; neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at. This boundless greed after riches, this passionate chase after exchange-value, is common to the capitalist. (107)

Under capitalism, this never-ending process to accumulate profit takes the form of an ideology, what I refer to as *productivism*. In short, this is the belief that increasing the capabilities of production is humanity's ultimate purpose, and that we can only measure our success as a species in terms of quantified economic growth (Harvey, 2014; Schumacher, 1973). The relationship between capital accumulation and *productivism* is such that the continuation of profit accumulation in capitalist social formations is dependent on successfully bypassing any barriers to said circulation (taken here as essentially anything interfering with achieving M'). This is significant because as we will later observe, it is when these barriers to profit growth cannot be transcended that economic downturns and eventual crises (as well as the impoverishment they bring) materialize (Harvey, 2010b; Marx, 1932/1968; 1939/1973; Schumacher, 1973). The history of capitalism is saturated with attempts to bypass said barriers, a recurring point being that even when these are successful, the problem is only ever solved temporarily (Harvey, 2010b). The relevance of *productivism* extends into the next chapter, where I explore the possibility of tracing the severity of the Greek recession to this same incessant need

to exceed the *material limits of production*. This theme – i.e. the consequences of capital’s unbridled ambition – permeates this thesis.

Section 2.5: On the structural tendency to fetishize commodities and the relations of production

Marx (1867/1887) believed that social interactions between individuals in a capitalist market conditions them to blur the distinction between a *commodity’s use-value* and *exchange-value*, muddling the definition so that the latter comes to encompass both¹⁸ (48). This is significant because unlike *use-value*, *exchange-value* does not represent any inherent characteristics of the individual *commodity*. Since *money-capital* must represent a universal type of value – i.e. must quantify a wide range of different *use-values* uniformly – it cannot be pegged directly to the natural properties of individual commodities (lest we revert to the predicament of how to trade apples for chairs given that both could be equally useful in different circumstances). This essentially makes *exchange-values* indirect representations of *use-values*. Marx (1867/1887) further explained that when commodities are converted into *money-capital* and cease to be real, tangible objects, they effectively gain a transcendent quality of sorts, a “mystical character” (47). The *commodity’s* initial *use-value*, in this case the only remnant of the conversion, becomes abstracted¹⁹, or as he put it, *fetishized* (Marx, 1867/1887, 48). In other words, since a *commodity’s exchange-value* exists only by virtue of its relationship with the *exchange-values* of other commodities, all *exchange-values* exist in an abstracted dimension of sorts. They are separated from the material world and the real value of the material things they are supposed to represent. This is significant because the capitalist market exists only to facilitate the exchange

¹⁸ This is particularly the case with luxury commodities (e.g. brand name clothes). People are often willing to pay considerably more for particular products despite the fact that there are much cheaper alternatives.

¹⁹ Revert to section 1.2 for a more concrete definition on abstraction.

of products, and so ultimately all things, including human beings, come to be seen first and foremost in terms of their *exchange-value*. Marx (1867/1887) put it so:

There is a physical relation between physical things. But it is different with commodities. There, the existence of the things *quâ* commodities, and the value relation between the products of labour which stamps them as commodities, have absolutely no connection with their physical properties and with the material relations arising therefrom. (48)

This forms the basis for the structural tendency of capital accumulation to fetishize commodities and the *relations of production*. As we will observe by the end of this thesis, *fetishism* plays a significant part in the Marxist theory of crises; it is what conditions humans living under capitalism to trivialize the *relations of production* and ignore the role played by real people in reproducing them. At its core, *fetishism* is related to what Harvey (2010b) dubs capitalism's "greatest contradiction": that between *use-value* and *exchange-value*, and ultimately between how things appear and how they really are (15-24). This is precisely what Engels (1893/1968) was referring to when he mentioned the so-called *false consciousness* of men (586); that same ideology that blinds us from seeing that the way in which capitalism presents itself is radically different from how it really operates (the *empiricism* of bourgeois economists in particular is quite adept at mystifying the *relations of production* as to obscure this even further) (Sewell, 2012). In other words, *fetishism* serves to conceal the fact that capitalist production is built upon, and maintained by, exploitation. This concept will feature more extensively in the concluding chapter after we look at the dominant discourses used to rationalize the effects of the recent crisis. *Fetishism* is particularly prevalent in the validation of those narratives seeking to blame the immiseration caused by crises on imaginary personifications like the 'omnipotent market' and the 'mysterious' forces that guide it (Selgin, 2014).

Section 2.6: On the structural tendency for exploitation

If an item's *exchange-value* is an abstracted reflection of its *use-value* (in the form of *money-capital*), having nothing to do with the material reality of said *commodity*, then what is it really supposed to represent? Marx answered this question by pointing out that the only definite criteria by which two items of different *use-values* can be compared when exchanged in a market is the amount of human labour that went into their creation (Marx, 1867/1887, 120). *Exchange-values*, embodied by *money-capital*, are then to be the representation of said labour. This is the essence of Marx's labour theory of value, which stipulates that a *commodity's* price in the capitalist market should be a reflection of the amount of labour put into it (Marx, 1867/1887, 215, 379, 398). Knowing this, let us once again turn to the fact that the capitalist must gain a profit by moving capitals around the market (i.e. the essence of *M-C-M'*), meaning that he increases his investment through a return at the end of circulation in the form of extra *money-capital*, or what Marx (1867/1887) called *surplus-value* (106).

To better understand where *surplus-value* comes from, we must remember that the capitalist class owns all the inputs needed to make commodities. The only thing that the worker has to offer is his or her labour, or rather, *labour-time* – i.e. the amount of time he or she needs to create what the capitalist wants him or her to produce (Marx, 1867/1887, 121, 162). The capitalist in turn purchases this *labour-time*, now called *labour-power*, and exhausts it to produce commodities (Marx, 1867/1887, 119). This is noted down as the *M-C...P...C'-M'* circulation of *money-capital*, including production; it is essentially an extension of the *M-C-M'* formula. Here *M* is the initial monetary investment, *C* is abstract *labour-power* (in the form of a *commodity*)²⁰

²⁰ Marx (1867/1887) proposed that *labour-power* “can appear upon the market as a commodity” (119); the worker himself effectively turned into a *commodity* to be consumed by the capitalist (163).

plus the *means of production* required for assembly (i.e. materials and *fixed-capital*), *P* is the actual act of *commodity* production, *C'* is the *commodity* produced (i.e. the *means of production* with *surplus-value* from *labour-power* added), and finally *M'* is once again *M* + profit (Marx, 1867/1887, 15). During the *M-C* stage the capitalist buys materials and *labour-power*. *C...P...C'* represents the production of the *commodity* – i.e. the worker is investing his or her *labour-time* manipulating the *means of production*, ultimately creating a product of value equal to the *means of production* invested plus that of his own added *labour-power*. In the final stage, *C'-M'*, the capitalist sells the product of the worker's labour, now worth more than the materials it is composed of and converts this *surplus-value* into profit.

In returning to our initial question regarding where *surplus-value* comes from, it is clear that we once again face a dilemma similar to the one exemplified by the re-working of *M-C-M* into *M-C-M'*. Since the labour theory of value dictates that a *commodity's* market value (i.e. *exchange-value*) is equal to the *labour-time* it takes to create it plus the value of the materials and *fixed-capital* used, it does not make sense that the formula, this time *C...P...C'*, is asymmetrical. How could the capitalist in this scenario buy the *labour-power* and *means of production* at their value, and have this combined value be higher at the end of production than the same value he initially started with (i.e. have it be a profitable enterprise)? In other words, where does the added value in *C'* come from? The answer: the *surplus-value* required for profits to materialize at the end of circulation must come from the worker. What this means is that if the capitalist wants to extract more *surplus-value* (i.e. gain higher profits) he can only do so by underpaying workers or making them work longer hours (or by hiring less via technological innovation), thus creating the possibility for exploitation at the point of production in circulation. The rate of *surplus-value* extraction is thus directly correlated to the rate of exploitation, or as Marx

(1867/1887) put it, it is “an exact expression for the degree of exploitation of *labour-power* by capital, or of the labourer by the capitalist” (153).

We learn more about this phenomenon in chapter ten of *Capital (Volume I)* (1867/1887): “The Working Day” (162-212). Here, Marx argued that the worker spends a portion of his working day creating the value that is required of his *labour-power* – i.e. the amount of *labour-time* he initially sold – but that the remainder of his day is spent creating *surplus-value*, all of which is appropriated to the capitalist himself. The workers are either deceived into thinking that they sell their *labour-time* at its real value but are paid less than it is worth, or they are forced to produce more value than paid for; this is how profit is made. Marx (1867/1887) detailed this phenomenon in *Capital (Volume I)*:

The capitalist like all other buyers, seeks to get the greatest possible benefit out of the use-value of his commodity. Suddenly the voice of the labourer, which had been stifled in the storm and stress of the process of production, rises: “The commodity that I have sold to you differs from the crowd of other commodities, in that its use creates value, and a value greater than its own. That is why you bought it. That which on your side appears a spontaneous expansion of capital, is on mine extra expenditure of labour-power. You and I know on the market only one law, that of the exchange of commodities. And the consumption of the commodity belongs not to the seller who parts with it, but to the buyer, who acquires it. To you, therefore, belongs the use of my daily labour-power. But by means of the price that you pay for it each day. [Instead] you pay me for one day’s labour-power, whilst you use that of 3 days”. (163)

The structural tendency for exploitation forms the basis for antagonism within the Marxist notion of class-struggle. But the capitalist class paradigm doubles as an unresolvable contradiction; there forever exists a tension between the capitalist class at one end, who attempts to extract as much *surplus-value* as possible from production, and the worker at the other, who tries to limit the latter’s power to do so (Marx, 1867/1887, 127-141).

The reason that *productivism*, *exploitation*, and *fetishism* are structural tendencies of the capitalism is because they are fundamental features upon which it is built, implanted within the

objective of capital accumulation. The capitalist, as an individual, does not have the capacity to work outside these structures; he can only operate within a framework that conditions him to seek boundless enrichment, while on the other hand it is this same framework that stops the worker from owning the *means of production* (for once he does, he becomes a capitalist) (Marx, 1867/1887, 119-124). As such, Marx would argue that exploitation occurs not because questionable individuals with large amounts of money are in influential positions and personally enjoy causing suffering to others, but because the structures of capitalist production can only permit the reproduction of an ideology based not on the needs of the many but on the profits of the few (and this can only work by exploitation). The way social institutions (e.g. property laws) are organized and the dual-faceted *division of labour* determines who gets the most wealth. These structures pre-exist the birth of the individuals operating within them, and it is precisely because of this that the aforementioned tendencies are permanent fixtures of the capitalist social formation (Marx, 1867/1887, 162-213). This is meant to further underline the need for a structural approach to Marxism I outlined in section 1.5, as it is only by recognizing the existence of these structures can we begin to make sense of capitalist production, and more specifically the nature of economic crises in capitalism.

PART II: Productivism, crises, and an increasingly unstable capitalism

So far, I have detailed the theory of capital accumulation as well as how the way in which capital circulates leads to certain structural tendencies within the reproduction of the capitalist mode of production. The remainder of this chapter will thus focus on its namesake – the very crucial role played by the structural tendency of *productivism* in the Marxist theory of crises (*exploitation* and *fetishism* are taken up in the next two chapters respectively). This is necessary

in the context of the thesis because, as we will observe, *productivism* reveals one of the major contradictions of capitalism, and is chiefly responsible for setting the conditions under which economic crises form.

Section 2.7: The economic structure of capitalist production

We know that in order for humans to flourish in society, they must produce the material requirements for sustenance. To carry out this production they must become part of a web of well-defined social relations. This forms the basis for the *division of labour*, exemplifying the fact that production is accomplished in several stages. It is mobilized in a chain of events that starts with the manipulation of the physical materials needed for a particular product or *commodity*. These are, in the first instance, natural resources (e.g. wood, stone, etc.), and in the second manufactured resources (e.g. leather, cement, etc.). Both of these represent what Marx (1867/1887) called the *subjects of labour* (127). Second is what Marx (1867/1887) called *fixed-capital* (337). These are the instruments of labour necessary to prepare and arrange materials for production, such as transportation vehicles, cranes, bulldozers, etc., and the machinery needed for the manufacturing process itself. This particular type of capital, also known as production capital, is distinct in that it is not consumed by the production process in the same manner that primary resources are. Together, materials and *fixed-capital* form the *means of production* – i.e. the natural and infrastructural capital necessary for production. In turn, the *means of production* and the *labour-power* necessary to mobilize them comprise the *productive forces* (Marx, 1867/1887, 268). These, however, do not operate independently from a governing body of relations that directs how they are to be used in production. Here we have the social structures governing the organization of the *productive forces*, be it hierarchies of labour, working

agreements, production evaluations, etc. – i.e. what Marx (1867/1887) called the social *relations of production* (50, 354). Since those living under capitalism must enter into these relations in order to survive (indeed the need to acquire wage in exchange for labour means that participation is not exactly voluntary), the *totality* of these relationships constitute a relatively stable and permanent foundation, or rather, the *economic structure* of capitalist production (Marx, 1867/1887, 58).

For capitalism to continue to exist as the dominant mode of production, its economic base must be maintained. This means that any process of capitalist production must also by default be a process of the reproduction of the social *relations of production* (which is just as important as replacing the physical materials consumed for production). Consider, for example, an industrial factory that specializes in making auto parts. In order to manufacture these parts, the capitalist(s) in charge of running this enterprise requires a number of things to continue operating: a physical building, primary and secondary resources (and possibly other manufactured products from other industries), as well as infrastructural necessities (electricity, running water, heating, etc.). The capitalist in question does not engage in the production of commodities in a closed process of self-sufficiency. On this note Marx (1939/1973) was keen to point out that “production by an isolated individual outside society [...] is as much of an absurdity as is the development of language without individuals living together and talking to each other” (24). Our capitalist is thus not a sole producer, but must act as both an exporter (the auto-parts he manufactures are consumed by others) as well as an importer (he requires things that he himself cannot produce). Now suppose that the technical equipment in his factory broke down and no one ever came to repair it. Production in his factory would grind to a halt. This scenario is relevant because it can be juxtaposed to capitalist production as a whole. If there is no reproduction of the *economic*

structure of production, whether it be in the realm of *labour-power*, materials, or *fixed-capital*, as well as the *relations* of production that organize this reproduction, then capitalism will cease to exist. This is important because Marx sought to argue that an explanation of capitalism's recurrent crises is found in the way this reproduction is carried out.

Section 2.8: On the expanded reproduction of the economic structure of production

Near the end of *Capital (Volume II)*, we are presented with three possible states of function the reproduction of a mode of production's *economic structure* can exist in. The first is that of negative growth (or *negative reproduction*) (Marx, 1885/1956, 240-297). A failure to reproduce the *relations of production* results in a decline of the aggregate rate of capital accumulation. In time, this mode of production will consume its *productive forces*, be it materials, *fixed-capital*, or *labour-power*, faster than they are being reproduced. Since no mode of production, capitalist or otherwise, can exist if its *relations of production* are not reproduced first and foremost at the economic level, any social formation in a state of *negative reproduction* is always decaying, destined for an eventual collapse (Hindess & Hirst, 1975, 15). Harvey (2014) similarly argues that “without expansion there can be no capital [accumulation]”, and as we shall later observe periods of negative growth are actually conditions under which crises in capitalism form (230).

The second type of reproduction, identified in chapter twenty of *Capital (Volume II)*, is *simple reproduction* (or zero growth). Marx explained that it is possible for a mode of production to reproduce itself in a static manner, with no contraction or expansion in the rate of aggregate capital growth (Marx, 1885/1956, 37-39, 240-284). Here we have a reproduction of the economic base, but only just enough to replace, in exact quantity, whatever resources, *fixed-*

capital, or *labour-power* is used up. The result is a mode of production that reproduces itself without any aggregate change; it remains constant. Resources are replaced by identical resources, machines are replaced by exact copies, and when workers retire they too are replaced with others of equal *labour-power*.

Marx (1885/1956) dismissed the idea of zero aggregate-capital growth in capitalist social formations as pure fiction, reminding us that the accumulation of profit, and by extension perpetual economic growth, is the core principle of *money-capital* circulation. Instead, he suggested that capitalism runs on what he called “accumulation and reproduction on an expanded scale” (Marx, 1885/1956, 55). This *expanded reproduction* differs from *simple reproduction* in that the reproduction of the *productive forces* is not a static endeavour, but continuously seeks to expand. As the individual capitalist acquires more and more capital, he will be able to re-invest at an increasingly higher rate, and consequently make higher returns (Marx, 1885/1956, 298-319). The general rule for this form of reproduction then is that the larger the amount of initial capital put into circulation, the higher the investment profit will be.

Expanded reproduction resonates with the *M-C-M'* formula for *money-capital* circulation and is indeed the essence of *productivism*. Since the accumulation of capital is a cycle where surplus-money is continuously re-invested in circulation to increase its quantity, it makes sense that the main characteristic of *expanded reproduction* is one of ‘expanding value’, where each period of expansion must be bigger than the last (incidentally causing the extraction of *surplus-value*, and by extension exploitation, to increase accordingly). To this end, Harvey (2010c) posits that “conventional wisdom [has it] that a growth rate of 3%²¹ is the minimum acceptable level at which a ‘healthy’ capitalism can operate”, adding that “anything less is problematic” (para 4). In

²¹ With local variation, 3% was the average aggregate global growth rate from 2000 to 2008 (pre-crisis) (Harvey, 2010c).

other words, the capitalist mode of production must maintain a compound annual growth rate (in terms of economic expansion) that is higher 3% or else the economy is considered to be sluggish, while 1% and under means dangerously close to crisis territory (Harvey, 2010b, 25).

While this fact is accepted by bourgeois economists, it is explained through the rather straightforward notion of ‘true net gain’. The argument that can be traced back to the classical economists of old is that *expanded reproduction* is maintained by generating periodic waves of ‘new’ capital (Marx, 1885/1956, 144-150). This would imply, for example, that each year, the capitalist produces fresh capital, different from the capital that he already has stockpiled. The idea is this capital is new in the sense that it is not profit diverted away from an already existing market – i.e. it is not capital that belongs to someone else. It is plausible this argument pre-dates capitalism entirely, finding its justification in the extraction of natural resources, which has traditionally contributed to the false impression that one is able to extract or create *surplus-value* out of thin air, so-to-speak (this was certainly the case with gold rushes, the discovery of oil wells, etc.). This is a simplistic view of capital (re)production, reminiscent of the *empiricism* critiqued in the previous chapter, which fails to analyze beyond what is only readily apparent and is part of the wider ideology of *productivism*. It is embedded within the social relations that form the basis for capitalist production, and it is reproduced as the *economic structure* of capitalism itself is reproduced. It ultimately reinforces the notion that capital accumulation is capable of maintaining infinite *compound growth*, and that profits will keep rising as long as capitalism can keep revolutionizing its *productive forces*.

In practice, however, this is unsustainable for several reasons. The most obvious problem is the fact that we inhabit an objective material reality of finite resources, *labour-power* included. This means that there eventually must be a natural limit to *compound growth* that cannot be

transcended. On the one hand, it is simply a physical impossibility to think that we can multiply the economic base of production to infinity at the rate dictated by *expanded reproduction*. Harvey (2014) gives as example the “enormous expansions in physical infrastructures, in urbanization, in workforces, in consumption and in production capacities that have occurred since the 1970’s until now, [which] will have to be dwarfed into insignificance over the coming generation if the compound rate of capital accumulation is to be maintained” (228). On the other hand, even if the material elements of production – i.e. the *means of production* and *labour-power* – could be mobilized at such an astounding rate, there still exists a theoretical limit to *expanded reproduction* in terms of simple resource exhaustion (e.g. as is the case with dwindling oil reserves in the world today). Simply put, there will come a time when everything in the natural world around us will become “commodified and monetized”, signaling the absolute ceiling beyond which the “process of expansion cannot go” (Harvey, 2014, 228, 235). For further reference, E. F. Schumacher (1973) gives a comprehensive analysis of the dangers this type of thinking holds for social evolution, warning us that man has begun to take up “battle with nature, forgetting, that, if he won the battle, he would find himself on the losing side” (2).

Section 2.9: On the Falling Rate of Profit

There exists another reason as to why Marx believed that the reproduction of capitalist production is unsustainable over the long-term. This represents one of the more controversial theories found in *Capital*, namely *the tendency of the profit rate to fall* (TPRF) (Harvey, 2014; Heinrich, 2013; Marx, 1894/1959; Marx 1939/1973; Moseley, 1988). Introduced in chapter thirteen of Volume III, *TPRF* is essentially a challenge to the sustainability of *expanded reproduction* and its reliance on *compound growth* (Marx, 1894/1959). Its significance lies in the

rather bold claim that, given enough time, capitalism will age and implode like any other mode of production before it. What is interesting about this theory is the fact that it strays from the usual revolutionary rhetoric Marx is known for, particularly what we see in *The Communist Manifesto* (1848/1969). Instead, we are told that even without the occurrence of a proletariat revolution to forcefully seize the *means of production* capitalism will, given enough time, begin to destroy the very foundation upon which it is built and crumble under the weight of its own contradictions (Marx, 1867/1887, 111-118). This is a side of Marx's analysis of the permanent class struggle that is seldom talked about, partly because it does not invoke the same sense of urgency for social change as does a forecast for catastrophic revolution (Clarke, 1990, 448). As Marx (1939/1973) explained in *Grundrisse*, *TPRF* is "in every respect the most important law of modern political economy, and the most essential for understanding the most difficult relations [of the capitalist mode of production]" (675). For him, *TPRF* revealed one of the great contradictions of capital accumulation, what was to be the "death knell" of "capitalist private property" (Marx, 1867/1887, 542). He believed that the real culprit behind capitalism's increasing instability, and by extension the true cause of capitalist crises, is *productivism* itself; the capitalists' voracious pursuit for ever-increasing profits will prove to be the catalyst for their own undoing.

Marx came to validate the existence of a general falling rate of profit through a cumbersome data analysis which took him the better part of his life to finalize. His findings suggest that since the problem for capitalism will always revolve around finding ways to maintain *expanded reproduction* indefinitely, hindering this economic expansion for any significant amount of time will inevitably produce a crisis. In other words, the final barrier to

compound growth will always be low profitability; this is the bottom line. The inability to extract surplus value is the antithesis to growth in the capitalist social formation.

The interpretation of *TPRF* is a hotly contested topic within Marxist circles. One of the more well-known of such disputes revolves around whether a falling profit rate is the cause, or alternatively the product, of crises. For example, there are those that believe Marx intended *TPRF* to be nothing more than a problem which ends up intensifying crises, simply a byproduct (as opposed to the root cause of economic crises in capitalism) (Clarke, 1990, 443, 447).

Even those who agree with this interpretation of *TPRF* have different opinions regarding what the actual cause of the falling rate of profit is (Clarke, 1990, 442-443). While a literature review on the subject revealed a wide range of theories, there are three general arguments from which most of these conclusions are drawn: the *rising organic composition of capital*, the rising power of labour, and the *crisis of realization*, although they often do go by other names depending on who is doing the interpreting (Clarke, 1990; Weisskopf, 1979, 348). Within the structural-Marxist framework I propose they should not be seen as mutually exclusive concepts, but rather dynamically inter-connected in a dialectical manner.

The purpose of interrogating the material in this manner is two-fold. On the surface, a deeper understanding of these theories will undoubtedly provide a better grasp of crises in capitalism, and how they are born out of the contradictions of capital accumulation. More importantly however, these theories will help us understand that crises are paradoxical creatures, at once destructive to the long-term reproduction of the capitalist mode of production but also quite necessary for the reproduction of the class paradigm which keeps capitalism operational. This is significant because, as Clarke (1990, 442) points out, to show that crises are possible, and can result from a whole range of issues, is easy (and bourgeois economists do it all the time).

Showing that they are a necessary component for reproduction of the capitalist mode of production, on the other hand, is an endeavor I am most keen on exploring.

Section 2.10: On the Rising Organic Composition of capital

At first glance, the *rising organic composition of capital* seems to be a matter decisively linked to profitability in industrial capitalism, where economic growth was based on the expansion of the industries and not on hedge funds or stock market manipulation. It makes sense that Marx framed much of his discussion of the concept around this form of capitalism, given that it was the dominant way capitalist social formations organized production during the latter half of the 19th century. As a side-effect, some of the terminology and analogies used clearly reflect the time-period and seem outdated when applied to the inner-workings of the hyper-financialised capitalism we see today (a topic to be thoroughly explored in the next chapter).

To understand the relationship between the *rising organic composition of capital* and *TPRF* more generally, some slight theoretical backtracking is required. Let us once again begin with the pretense that the capitalist mode of production operates on the principle of *productivism* – i.e. the incessant need to amass wealth, or capital. As a result, the capitalist is always compelled to look for ways to increase the efficiency of his production methods so that he may receive back a larger profit return at the end of circulation. It is for this reason that Marx (1867/1887) believed capitalism suffers from a constant tendency to increase the productiveness of labour (220-226).

Of course, to increase productivity is to find a more efficient means of extracting *surplus-value*. As mentioned in section 2.6, the capitalist may attempt to do this by paying his workers less than the real value of their labour (e.g. by manipulating the ‘work-day’ in order to make

them work longer for the same wage, etc.). The problem with this method, however, is that it directly increases the rate of exploitation and causes friction within the class paradigm, and so when the immiseration of his workers can go no higher without causing outright political conflict (i.e. that shatters the veil of *fetishism*), he has no choice but to seek other systems to keep *compound growth* going. To this end, he may instead opt to increase the scale of his production by directing his workers to produce more during the work-day without actually increasing the amount of *labour-time* spent. In other words, the capitalist will try to produce more with the same *labour-power*, but unfortunately this method is also left wanting. We must remember that a certain amount of *labour-power* goes into the production of a certain number of commodities. Now suppose that we increase the number of commodities produced without an equivalent increase in said *labour-power* – i.e. attempt to produce more without employing a larger workforce to account for this. The result is a reduction of the *labour-time* spent on each product, causing a drop in the *exchange-value* of commodities (reflected in the lower amount of work put into them). Since the capitalist market operates under the law of competition (at least according to bourgeois theory), those commodities that are of lower quality than their equivalents will not sell unless their *exchange-value* is dropped to correctly to match. Ultimately, this method also causes profits to stagnate. Marx (1894/1959) put it as follows:

If the productivity of industry increases, the price of individual commodities falls. There is less labour in them, less paid and unpaid labour. Suppose, the same labour produces, say, triple its former product. Then $\frac{2}{3}$ less labour yields individual product. And since profit can make up but a portion of the amount of labour contained in an individual commodity, the mass of profit in the individual commodity must decrease. (159)

Upon the realization that there is no way to manipulate *labour-power* as to keep *compound growth* going in the long-run without problems, the capitalist has one last ace up his sleeve: doing away with living-labour altogether. By replacing his workers with machinery, the

bourgeois entrepreneur hopes to automate the process of production and avoid the costs of wage-labour. Technological innovation then becomes a very much sought after upgrade to production, almost always being considered a positive advancement that nets more profits in the long-term. Engels (1874/1947) made note of how automation becomes a “compulsory law” for the capitalist in his letter to positivist Eugen Dühring, in the work colloquially known as the *Anti-Dühring*:

We have seen that the ever increasing perfectibility of modern machinery is [...] turned into a compulsory law that forces the individual industrial capitalist always to improve his machinery, always to increase its productive forces. [...] The bare possibility of extending the field of production is transformed for him into a similar compulsory law. The enormous expansive force of modern industry [...] appears to us now as a necessity for expansion [...] that laughs at all resistance. (174)

Building upon this point, Marx (1894/1959) sought to argue that the drive to increase productivity through technological innovation will reach a point where it becomes counter-productive (148-159). To better understand why this is so, we must first recognize the distinction between *constant* and *variable capital* (Marx, 1867/1887, 142-149).

The first, *constant capital*, represents the money spent on the materials and *fixed-capital* that were used in the production of the specific *commodity* sold – i.e. essentially the value of the *means of production* (Marx, 1867/1887, 146). Sometimes this form of capital is used quickly during production, as is the case with primary resources, but other times it degrades more slowly, as is the case with *fixed-capital*. The latter point is significant because we often forget that *fixed-capital* purchased for the purposes of production does not go on producing forever. In other words, unlike living-labour – i.e. workers – this ‘dead-labour’ eventually breaks down and must be replaced by actual human beings (Marx, 1867/1887, 151).

The total *exchange-value* of the *fixed-capital* initially paid for by the capitalist for manufacturing is found in the total number of products created once the machines are depleted. This means that *constant capital* can never create any new real value; it can only transfer its own

value onward through the process of production, which can only be done with the help of living-labour. It is for this reason that Marx (1867/1887) believed that any *constant capital* in circulation exists in a permanent state of metempsychosis, where its value is constantly shifted around different objects, each time leaving behind “the consumed body to occupy the newly created one” (145).

Variable capital on the other hand represents the share of capital spent on wages; it is effectively the cost of hiring *labour-power* (Marx, 1867/1887, 147). Contrasting *constant capital*, the defining feature of *variable capital* is that it infuses the product with ‘new value’, in the sense that it is not value recycled from somewhere else. We also know this as *surplus-value*, the very thing that is routinely extracted from pockets of the worker and added to the vault of the capitalist. Nonetheless to understand why *variable capital* can create new value, let us briefly reconsider the formula of *money-capital* circulation plus production ($M-C...P...C'...M'$). To recapitulate, we know that C in this case stands for commoditized *labour-power*, the capital used to purchase it being variable, plus the (constant) capital spent on the *means of production*. The result of P (i.e. production) is C' , the *commodity*, meaning that it is at stage P that the worker transfers his *labour-power* into the newly created product. Within this context it is impossible for the value of *constant capital* to change during production since inanimate objects are incapable of generating new value; the value of such items going into production continues to exist in the resulting product, although it cannot be any more or less than it was before. Turning back to our predicament, it becomes obvious that the only other way to account for the added *surplus-value* at the end of production is through an expansion of the *variable capital* available. This is why living labour is a necessary component of the production process and intimately related to the rate of profit (incidentally this is why the capitalist profits the most when his workers are paid as

little as possible, and consequently why the rate of exploitation is directly correlated to expected profit margins).

As the capitalist social formation grows, so too does the proportion of capital invested in machines in relation to that invested in *labour-power*. Marx (1894/1959) dubbed the increasing ratio of constant to *variable capital* as the “rising organic composition of capital”, stating that:

This mode of production [capitalism] produces a progressive relative decrease of the variable capital as compared to the constant capital, and consequently a continuously rising organic composition of the total capital [...] the immediate result of this is that the rate of surplus-value, at the same, or even a rising, degree of labour exploitation, is represented by a continually falling general rate of profit. (148-149)

Explicit here is the idea that the organic composition of capital increases at a faster rate than the rate of surplus value, so that the net effect is a decline in the rate of profit (Moseley, 1988, 298).

Piecing together all of this information leads us to the following scenario: when it comes to the organic composition of capital, profits fall because there is too much *constant capital* in production when compared to the amount of capital spent on wages (i.e. *variable capital*) (Hardcastle, 1960). The drive to increase productivity conditions capitalists to increase the share of *constant capital* relative to *variable capital*, but since only *variable capital* can produce new *surplus-value* (i.e. increase profits), we find ourselves with a general falling profit rate (paving the way for crisis).

Section 2.11: The crisis of realization

Admittedly, it is difficult to see how the *rising organic composition of capital* alone could ever be seen as the sole reason for a *TPRF* in the long-term. Fortunately, there is another concept Marx (1894/1959) believed was equally important for mapping crises, namely what he referred to as the *overproduction of capitals* (171).

Marx frequently reminded us that the capitalist is a slave to the imperative of *expanded reproduction*, forever struggling to revolutionize the *means of production* as to increase his profits (Clarke, 1990, 454-55). As previously mentioned, one of the ways to do this is to increase production, resulting in an increase in the commodities produced and thus an increase in the extraction of *surplus-value*. However, if the capitalist in question wishes to realize his expected profits, he will need to find purchasers for the increased mass of commodities he has now flooded the market with. Unfortunately for him, the viability of increasing the scale of production is determined not by *productivism*'s incessant need for *expanded reproduction*, but rather by whether the physical market can accommodate the increased supply with enough demand (i.e. whether there are enough people who want to buy said products). As Harvey (1982) puts it, "the capitalists' necessary passion for *surplus-value*-producing technological change, when coupled with the social imperative 'accumulation for accumulation's sake', produces a surplus of capital relative to opportunities to employ that capital" (192). In other words, the drive to produce exponentially does not take into account the boundaries of the material plane; it is subject to its own laws that determine the tendency to expand production without regard to the limits of demand (Clarke, 1990, 455). This is what Marx (1885/1956) meant by the term *overproduction*, noting that the "quantity of commodities created in masses by capitalist production depends on the scale of production and on the need for constantly expanding this production, and not on a predestined circle of supply and demand, on wants that have to be satisfied" (43).

At its core, *overproduction* is an expression of *productivism*; it reveals capital's drive to extract the maximum amount of *surplus-value* and exploit the maximum amount of labour, no matter the cost (Harvey, 2001, 24). As an ideology it is not defined by the individual capitalist,

who struggles for a competitive advantage, but by the social structures created by the uneven development of the forces of production (Clarke, 1990, 455). Because the logic of *productivism* is unconcerned with whether demand can match production, capitalist social formations are perpetually under danger of suffering from the *overproduction* of capitals (which then lay idle, slowing circulation) (Clarke, 1990, 454). Low demand is thus always a barrier to profit growth; this precisely why a given market must expand, in either number of consumers or in their spending capacity, at the same rate as production. If not, then the increasing effectiveness of production becomes a barrier to *compound growth* because it effectively pushes commodities past the purchasing power of consumers.

Furthermore, it is also during prolonged periods of low profitability that capitalists try to squeeze every last bit of *surplus-value* available, either by increasing exploitation (i.e. cutting wages, etc.) or by automation (further increasing the organic composition of capital). This has the odd effect of further exacerbating the demand problem. As workers become increasingly unemployed or are subjected to wage reductions, the aggregate demand for commodities and other capitalist products or services drops across the board. This is because the working class represents the largest segment of consumers in any given capitalist market, and so by reducing this group's purchasing power one effectively reduces the potential demand of the masses. The push by capitalists to extract increasingly higher amounts of *surplus-value* continuously lowers the purchasing power of the working class in that specific market. In the long-term, an increasing wealth inequality between the classes is problematic because the masses can potentially end up with so little capital that they cannot afford to purchase commodities. Engels commented on this curious phenomenon in his notes on *Capital*, arguing that the share of the wealth produced under capitalism that accumulates in the hands of the working class will inevitably decrease with time,

while that of the capitalist class will rise accordingly (Sewell, 2012). What this really means is that as capitalism ages, the class balance will continue to move in favour of the capitalist class at the expense of the proletariat. *Overproduction*, and the problem of demand more generally, thus represents a *barrier to capital accumulation*, which, if left unresolved, paves the way for instability in the capitalist social formation (Clarke, 1990, 446). This instability eventually takes the form of a “crisis of realization”, where the threat to profits in the long-run is rooted in the difficulty of realizing expected profits from production (Weisskopf, 1979, 347). As we will observe in the next chapter, this also means that the source of capitalist crises is not located in the realm of consumption, as bourgeois economists maintain, but in that of production (Sewell, 2012).

Section 2.12: The Profit-Squeeze

Marx (1885/1956) recognized that while the class paradigm shifts in favour of the capitalist class in the long-run, this transfer is not always uniform. There are times when the proletariat pushes back, although this is always a temporary respite at best.

Living labour is necessary for the imperative of *expanded reproduction*. Fortunately for those concerned about the end-game scenario concerning the *rising organic composition of capital*, full automation has not yet been possible nor is it possible any time soon (although there are those, like Wolff (2016), who argue that this will happen sooner than we like to believe). This means that an increasing number of workers are needed to keep with the pace dictated by *expanded reproduction*. During times when profits are high, the demand for *labour-power* increases dramatically. As a result, workers experience an improvement in their negotiating position vis-à-vis the capitalist class. This is, predictably, undesirable for the capitalists for

several reasons. Low unemployment puts *labour-power* in high demand, meaning workers are better able to bargain for higher wages or rapidly switch to jobs that give better pay if unsatisfied (Marglin, 1990, 19; Weeks, 1979, 261). Rising labour costs cannot be offset by increases in output prices, meaning the share of profits that go to workers will rise while the share going to the capitalists will drop (Weisskopf, 1979, 342). Furthermore, an increase in the proletariat's political power results in workers that are better suited to resist capitalist efforts that seek to increase work intensity, labour productivity, or any measures designed to speed-up labour efficiency per unit of time (further cutting into potential profits) (Weisskopf, 1979, 342). It is for this reason that Marx (1885/1956) asserted capitalism's need for a 'reserve army of labour' (i.e. unemployed) to be available at any given time.

This scenario leads to what is called the "employment profit-squeeze" (Weisskopf, 1979). Here, low profitability is rooted in rising labour costs; the crisis ensues because rising wages hurt the profit rate to the point where *compound growth* cannot be achieved reliably. Circumventing the *profit-squeeze* crisis is perhaps the easiest of all; the capitalists need only restore the reserve army of labour (Weeks, 1979, 260). To do this, they must simply stop rising wages and artificially force higher unemployment (Weeks, 1979, 261). The significance of this finding is of paramount importance in the next chapter, where we consider the ill-fated attempts of the Keynesian bourgeois movement to 'fix' the crises of capitalism, only to fall prey to the *profit-squeeze* crisis in the end.

Section 2.13: On the counter-acting measures of capital

As I previously mentioned, *TPRF* (henceforth referring to the three theories above on crisis formation) is a hotly debated topic among Marxist circles (LFRP, 1983). Perhaps one of

the more important of the points of contention is whether it should be seen strictly as a long-term trend, and consequently represent a highly abstract theory (in this case meaning difficult to test empirically), or whether it can also explain short-term phenomena, particularly the *boom/bust* cycles typical of modern capitalist societies (these being generally well documented) (LFRP, 1983).

Bourgeois economists (and even some self-proclaimed Marxists) have long declared *TPRF* to be overtly abstract, to the point where it cannot account for even the most basic observable features of capitalist markets (Sewell, 2012). A strictly literal interpretation²² of *TPRF* would imply that *overproduction* is always the case under capitalism, or rather, that capitalist social formations should exist in a state of permanent economic crisis. This would imply capitalism's deterioration is gradual but slow, but this is not true. Instead, periods of short-term economic growth or decline do indeed exist, as history has shown. In fact even if we accept that most of the work on *TPRF* was published posthumously by Engels, Marx (1867/1887) did acknowledge the cyclical nature of capitalist markets as early in *Capital (Volume I)*, where he argued that life under capitalism is characterized as “a series of periods of moderate activity, prosperity, over-production, crisis and stagnation” (301). This is why he referred to *TPRF* as a tendency and not a sudden collapse or crash (Giacche, 2011, 22).

One way to rectify this theoretical hole, so-to-speak, in the model is to turn to a lesser known concept of Marx's (1894/1959), specifically what he dubbed capitalism's “counter-acting influences”: attempts to bypass the limits of capital accumulation that sometimes raise the rate of profit (160-165). These are, in effect, artificial rebalances of the economy that, although possibly

²² It should be acknowledged that my inclusion of the *profit-squeeze* as one of the forms of *TPRF* already invalidates this point somewhat, since I made clear there that proletariat political victories always have an expiry date (rendering the negative effects on the profit rate short to medium term).

successful in the short-term, would still ultimately fail to stop the general falling rate of profit in the long-run (Giacche, 2011, 22). Such periods (of profit growth) exist only because capitalism manipulates the market to get around the insufficient demand problem. As we will observe in the next chapter, this is often done with the help of the state, a curious predicament given that this runs counter to supposedly non-interventionist, neo-classical bourgeois theory we have seen become dominant in mainstream policymaking since the 1970's (Harvey, 2010b).

There are a number of *counter-acting measures* that can be deployed to increase the rate of profit. Generally speaking, capitalists can produce either commodities or *fixed-capital*, so they may switch to producing the latter when demand for the first is low. While this will give the immediate impression of growth, it is inevitable that profits will once again drop when the realization of *overproduction* sets in and production machinery becomes over-stocked. They may also resort to focusing on foreign trade, cheapening *constant capital* to slow down the increase in the organic composition of capital (Giacche, 2011, 24). On this note, Marx (1894/1959) observed that when European nations invested into their colonies, they were able to reap a greater profit margin from producing off-shore. He reasoned this was due to the 'backward development' in the newly established cities of the colonies, where the exploitation of labour was much higher in absence of regulations (Giacche, 2011, 22). Capitalists may opt to directly increase in the rate of exploitation of labour. In this case, growth in *surplus-value* is done by lengthening *labour-time* and increasing labour productivity. Because the growth in *surplus-value* exceeds the general fall in profit rates, the rate of profit continues to give the impression of growth (Giacche, 2011, 22). They may also push wages below their value by reducing salaries. While this causes profits to rise in the short-term, if it goes on long enough we end up with employees who cannot afford basic necessities like rent, food, etc. (contributing to a *crisis of realization*) (Giacche, 2011, 22).

Capitalists could also try to artificially create higher unemployment, either to have access to a pool of cheaper labour or to crush a *profit-squeeze*, ultimately increasing profits in the short-term but once again contributing to a *crisis of realization* later on. They may also opt to invest in technological innovations which reduce *constant capital*-input costs. Once again while successful in the short-term, these contribute to the *rising organic composition of capital* (Giacche, 2011, 22). Other *counter-acting measures* include the monopolization of pricing (artificially raising prices for higher profits), reduction of tax burden or regulations through the state, and additional ‘assorted’ methods, including the criminal sort, to manipulate costs (Giacche, 2011, 22; Marx, 1965/1983l; 1894/1959).

Most of the other *counter-acting measures* described by Marx (but not detailed here) are often critiqued for having more to do with the industrial capitalism of his time than that of today (Weisskopf, 1979). There is, however, one such measure that remains remarkably applicable, so much so in fact that it is the primary mechanism through which the illusion of *compound growth* is kept alive in the modern capitalist social formation. In short, it is called credit. The more complex explanation has to do with a continuous attempt, on the part of the capitalist class, to increase of the amount of “interest-bearing capital” in circulation by increasing investments into credit and other financial activities in the market (Giacche, 2011, 25).

Marx (1894/1959) believed that, from a historical perspective, capital circulation based on lending and borrowing occurred with increasing frequency until banks, together with investment, insurance and real estate companies, established the network of institutions known as the “financial sector” of the capitalist economy (265-266). Its functions include providing credit to enterprises and households, facilitating transactions of *money-capital* (buying and selling currencies, moving assets, etc.); generally managing the creation of *money-capital* and how it

enters the market (Sayer, 2015). Since these activities (risk assessment, information management, etc.) cost money, the financial institutions that cover them expect to make a profit (they often buy and sell assets using their own funds) (Sayer, 2015). At some point during this development, banks realized that they could leverage the large amounts of *money-capital* owed to them in order to loan out much more money than they had physically available in their coffers – meaning they could now pretend to be worth more than they actually were. This phenomenon was identified by Marx (1894/1959) as “fictitious capitalization” (262). It allowed banks to become influential players in the capitalist economy, able to enrich themselves by leveraging fictitious assets on the pretense that no owned loans will ever default. The financial sector thus became a casino of sorts for wealthy finance capitalists, where they were able to bet (by investing in stocks, bonds, etc.) on later profits by attempting to predict the future of the market. Even debt, or rather the interest to be collected from it, became a *commodity* to be bought and sold amongst creditors, each hoping to collect more profits than the last. As a result, investments in *fictitious capital* such as the buying and selling of mortgages, or even public debt, became very profitable enterprises in the mature capitalist social formation (Harvey, 2014, 338).

Marx (1894/1959) once referred to *fictitious capitals* as simply “claims to capital” (350). This is because they are nothing more than a symbol of confidence in future earnings; a thing of fiction, not backed by any real material value. In other words, these are capitals that have become completely severed from any *use-values*, and thus represent an exaggerated form of the tendency to fetishize capital accumulation. We thus completely forgo the *commodity* in the *M-C-M'*²³ form of circulation for what is essentially *M-M'*. There is no material object being exchanged, and profit seemingly comes out of thin air. Marx (1894/1959) put it this way:

²³ Revert to section 2.3 for an explanation of *money-capital* circulation.

With the development of interest-bearing capital and the credit system, all capital seems to double itself, and sometimes treble itself, by the various modes in which the same capital, or perhaps even the same claim on a debt, appears in different forms in different hands. The greater portion of this 'money-capital' is purely fictitious. All the deposits, with the exception of the reserve fund, are merely claims on the banker, which, however, never exist as deposits. (322)

This is why credit can only keep the *illusion of compound growth* going. These 'profits' are based off promises on borrowed capital that, if not realized, will bring the flow of capital accumulation to a halt further down the line of circulation. As Harvey (2014) puts it, from "time to time these flows of *fictitious capital* go out of hand to form speculative bubbles that ultimately burst to form serious financial and commercial crises" (13). *Fictitious capitalization* is thus linked to the wider contradiction between the capitalist financial system and the volatility of *money-capital* I discussed back in section 2.2. As the capitalist mode of production fails to maintain the illusion of *compound growth*, it is likely to employ the *overproduction of fictitious capitals* when there is no more real *surplus-value* to be extracted. It happens in a vicious cycle, where the expansion of credit contributes to the *over-accumulation of fictitious capital*, which then further inflates demand for credit (Clarke, 1990, 461). This is why Marx (1894/1959) noted that the "credit system appears as the main lever of over-production" (306). The relevance of this finding is made clear in the next chapter, allowing the argument that the *overproduction of fictitious capital* is intimately linked with most of the crises in capitalism over the last century. For now, it is worth noting that while credit can only ever suspend the contradiction and never truly resolve it, it can buy some time to allow the implementation of other *counter-acting measures* (Clarke, 1990, 460).

Section 2.14: Regarding the ‘business cycle’

It is by taking into account the existence of capitalism’s *counter-acting measures* that I seek to argue that *TPRF* and *overproduction* are conceptually developed enough to be interpreted as both a long-term and a short-term trend. This would allow us to argue against the simplistic bourgeois notion that concurrent declines in aggregate profit (taken here to mean the pretext for economic crises) materialize only within the context of periodic market fluctuations which, as mainstream narratives tell us, resolve themselves via the ‘power of the market’ (Kliman, 2007; Reuten, 1991). In other words, such narratives would have us believe that while capitalist markets experience periodic downturns, they also experience an equal or greater amount of upturns, normalizing the difference so that there is never a net-loss in aggregate profits for capitalists in the long-run. This explanation is reminiscent of that given by classical economists like Ricardo and Smith²⁴. They tended to err on applying the principles of *expanded reproduction* to the evolution of capitalism as a whole, arguing that economic growth will naturally continue to occur even if accompanied by temporary setbacks (characterized here as periods of negative or *simple reproduction* of the *economic structure* of production²⁵) (Marx, 1894/1959, 148-159).

Marx (1894/1959) on the other hand thought the opposite: market fluctuations in the form of economic upturns are caused by capitalism’s *counter-acting measures* to maintain *expanded reproduction*. They are relevant only in that they pave the way for increasingly severe downturns. What this means is that the long-term decline of capitalism is carried out in cyclical crises, where times of *economic boom* foreshadow *busts* (the process repeating itself until there

²⁴ While Smith did explicitly mention something akin to TFRP, it was based on an entirely different explanation together. He believed intensifying competition would be the factor to drive down average profits, a point Ricardo later disagreed with. Regardless, TFRP was completely rejected from mainstream economics in the 20th century (Sewell, 2012).

²⁵ Revert to section 2.8 for an explanation of the reproduction of the *economic structure* of production.

is, presumably, a crisis devastating enough that it completely prevents the reproduction of the *economic structure* in a given cycle). This is the missing conceptual link between the more empirically observable features of capitalist production, specifically the well-known concept of *booms* and *busts* – what Weisskopf (1979, 341-342) dubs the “capitalist business cycle” – and the more general concepts found in *TPRF* (which are instead concerned with the reproduction of capitalism in more abstract terms).

Section 2.15: The Boom

The defining feature of *economic booms* is that they are always governed by bouts of acute *expanded reproduction*. Revenues are always growing, and all forms of capitals are abundant. Unemployment is low as *labour-power* is needed for the expansion of production, and the resulting high consumer purchasing power paves the way to increased demand for commodities. Interpreting this high demand as the potential for even more growth in the long-run, industrial capitalists begin to over-invest into *fixed-capital* as to increase the quantity of production to reap even more profits (LFRP, 1983). This renders them susceptible to any short-term fluctuations in demand which could leave much of their production capital idle. At the same time, low unemployment slowly causes a *profit-squeeze* to creep in. Capitalists then begin competing among themselves to increase the productivity of labour which, by virtue of automation and worker wage-repression, results in a feedback effect that drives wages down and consequently begins reducing demand (LFRP, 1983).

Elsewhere in the financial sector, the expended *boom* period has an odd effect on lenders. High market optimism is felt by the financial institutions that provided the expansion of credit necessary to feed the industries during the *boom* (Clarke, 1990, 462). This causes banks to

become over-confident in their expected returns on existing loans. Hoping to squeeze out ever-larger profit margins, they begin loaning much more than usual by leveraging *fictitious capital*. The standards dictating what debtors qualify (based on their ability to repay the loans) become increasingly relaxed. As a result, we see a progressively larger number of consumers and petty capitalists, whom would normally be unable to afford certain products, now finding themselves able to buy them with credit, irrelevant of whether their incomes can sustain the loans and respective interest rate.

At the same time, debtors are encouraged to borrow even more under the pretense that this new capital will allow them to pay off any outstanding debt they have and effectively ‘reset’ their loans, despite the fact that this stacks interest-rate fees to even more unsustainable levels. Finance capitalists in particular are susceptible to over-borrowing, projecting this newly acquired credit as real wealth to artificially raise their net worth. They do this because this extra liquidity inflates the exchange value of their financial assets (e.g. stocks, etc.), increasing returns on their future financial investments (as well as being allowed to borrow even more). This sort of activity flourishes because initially, the returns are higher than the costs required to service the small debt incurred (giving the illusion that this is sustainable in the long-run). Savouring the prospect of even higher profit-margins, capitalists cannot help themselves but borrow more before resolving their initial loan, starting a cycle of perpetual debt. Instead of cutting their losses and forcing debtors to default on payments, banks compound the problem by pressing them to ‘reset’ their debts in the aforementioned way, creating additional credit lines and lending more despite the obvious high risk. The subsequent growth in debt and its interest begins to catch up with the capitalists’ reliance on *fictitious capital*. Each new flow of credit results in increased debt levels, to the point where any new profits are simply used to service the interest while the original debt

remains. The buying and selling of people's debt between creditors becomes the central focus of the financial sector late into the *boom*, as it objectively appears to be a highly profitable avenue for finance capitalists in relation to the work it requires (reflected by the faster circulation of *money-capital* in $M-M'$, versus the traditional $M-C-M'$). After this point, the *boom* becomes artificial, hinged fully on borrowed capital. The tipping point usually comes with the realization that the accumulated debt and its respective interest has risen to such gargantuan amounts that it is simply unpayable, causing the bubble of *fictitious capital* to burst. The severity of the impact is greater the longer the *boom* exists, since the perceived high profitability of the financial sector causes the entire capitalist economy to become dependent on profit gains from the 'debt-trade nexus' (Keen, 2009; Marx, 1888/1976; 1859/1979).

Section 2.16: The crisis of over-accumulation

If the interval in time between the two complementary phases of the complete metamorphosis of a commodity become too great, if the split between the sale and the purchase become too pronounced, the intimate connection between them, their oneness, asserts itself by producing - a crisis. (Marx, 1867/1887, 77)

At its core, the capitalist crisis is an interruption in the flow of capital circulation. The beginning of the *bust* is marked by a sudden fall in the profit rate, caused by the *over-accumulation* of useless capitals that cannot be moved down the line of circulation. These take the form of commodities that lie unsold, *fixed-capital* in form of unused materials, *fictitious capital* in the form of previously purchased debts that have defaulted, or even labour-capital in the form of large numbers of unemployed individuals caused by the downsizing of industry (Clarke, 1990, 461-62; Marx, 1894/1959, 171). Capital circulation then starts to slow as these capitals concentrate geographically, particularly in urban areas (Harvey, 1982; LFRP, 1983). We thus see what Harvey (1982) calls "gluts on the market, massive rises in inventories, idle

productive capacity, idle money capital, [and] falling money rates of profit” in conjunction with even more wage repression and the hoarding of capitals (196). Eventually, a *crisis of realization* takes hold; as long as commodities lie unsold, their value decays because profits cannot be realized (Giacche, 2011, 28).

The *crisis of over-accumulation* is first felt by the capitalists that provided the *fixed-capital* for expansion, who now have to reduce production to clear inventories (Weisskopf, 1979, 347). These effects then ripple to the other industries of the capitalist economy found later in the production chain, like the retail sector, who now find themselves unable to sell the overproduced goods purchased during the *boom*. As a result what is deemed excessive in terms of *labour-power* is dispersed, causing wages to stagnate or regress, and unemployment to rise, further compounding the *crisis of realization* by reducing demand (LFRP, 1983). At this point, the bourgeois elite in the financial sector sound the alarm, declaring it an economically uncertain climate, and the so-called ‘stock-market euphoria’ which has caused debts to be left neglected suddenly dissipates (Bezemer, 2010). Creditors begin to lose confidence in debtors and recall their loans en masse, but not all are able to re-pay. Finance capitalists also lose confidence, removing their *money-capital* from circulation in favour of storing it in secure havens. Bankers in particular exhibit a new-found caution that inhibits them from extending credit to all but the soundest applicants. The sudden contraction of credit results in defaults and bankruptcies that then spread through the financial sector, sending it on downward spiral (Clarke, 1990, 461-62). Furthermore, since the whole economy had relied on credit for so long, the sudden switch to non-credit forms of transaction (e.g. cash) puts a strain on paper money withdrawals from banks, crippling day-to-day business activities and paralyzing the circulation of capital even further (Clarke, 1990, 462; Giacche, 2011, 28).

Since the *crisis of over-accumulation* is the result of too much capital held up in circulation, it only makes sense that resolving it necessitates the destruction of some of the excess capital (Harvey, 1982, 195). This phenomenon is what Marx (1894/1959) referred to as devaluation – i.e. the reduction in *exchange-value* of particular types of capitals in a given market – saying this about it:

The main damage [...] would occur in respect [...] to the values of capitals. [...] Part of the commodities on the market can complete their process of circulation and reproduction only through an immense contraction of their prices, hence through a depreciation of the capital which they represent. [...] The process of reproduction is halted and thrown into confusion by a general drop in prices. This confusion and stagnation paralyses the function of money as a medium of payment. (173)

The *destruction of capitals* can take several forms, and is often done intentionally (either by the capitalist state or the individual capitalists themselves). For starters, it could mean the *devaluation of labour-capital*, where we see declining wages (higher taxes and welfare cuts can also be included here). Here, individual capitalists or even the capitalist state as whole will attempt extract more *surplus-value* from the working class to cover for the losses suffered during the crisis, thereby compounding the demand problem brought on by *overproduction* (Sewell, 2012). The immediate effect of such methods is an increase in the rate of exploitation, as well as an increase in the immiseration of the masses (LFRP, 1983). As Harvey (1982) puts it, during this phase workers are “almost certainly likely to suffer a diminution in wages the received, which can, under the right circumstances, translate into a permanent reduction of their value” (even after the crisis is long gone) (202). This is because when a capitalist social formation emerges from a crisis into a new *boom*, profitability returns quickly but wages do not increase at the same pace (Weisskopf, 1979, 347). This resonates with Marx’s (1867/1979) claim that while the specifics of the crisis may be different in each case, the result is always the same – i.e. the

“burden falls on the labourer, in the increased exploitation of whom the capitalist looks for his indemnification” (424).

The *destruction of capitals* may also take to the form of intentional *devaluation of money-capital* already in circulation (i.e. inflation). Here we have a capitalist state that will print large amounts of *money-capital* in a short period of time²⁶, solving the debt problem temporarily. This comes at the cost of weakening its currency, and by extension its economy in relation to other nations, but at least the debt can be paid off before the realization of inflation sets in. The freshly minted coin has no real value behind it; it represents one of the ways capitalism has succeeded in detaching *money-capital* from any *use-value*. Incidentally, inflation then becomes an aggravating factor for the immiseration of the proletariat. Assuming worker-wages do not change in relation to the subsequent *devaluation of money-capital*, *labour-power* also gets devalued because workers now get paid with useless currency (Sewell, 2012). For now, it is enough to note that Harvey (2014) has written extensively about the ways in which the capitalist state intervenes in the midst of a crisis in order to attempt to restore profitability, and his concept of ‘spatio-temporal fixes’ features heavily in the next chapter when addressing the Greek sovereign-debt crisis as a case study (and why it is unprecedented).

When the intentional *destruction of capitals* fails to occur as planned, capitalists turn on each other, and devaluation is expressed as the depreciation of *commodity-capitals* (including *fixed-capitals*). In other words, prices of commodities will be forcefully dropped in a desperate attempt to sell on a market with over-saturated demand. For those capitalists facing bankruptcies during crises, this means they will always try to convert their material assets into *money-capital* quickly before *commodity* devaluation sets it, almost always at loss (hence why intentional

²⁶ Facilitated by the ease with which paper money can be manipulated. Revert to section 2.2 of this chapter for clarification.

devaluation is always preferred; it diverts the crisis onto the working class) (Harvey, 1982, 196). The mass-liquidation of assets during crises as a result of the *destruction of capitals* is related to the demand problem brought on by *overproduction* – i.e. it contributes to the increasing wealth inequality between the classes. To this end, while times of *economic boom* are characterized by the concentration of capital, crises reflect its centralization in the hands of the few (Harvey, 1982, 198; LFRP, 1983). To maintain a semblance of profit growth where no profits are to be made, capital is re-appropriated by capitalists in an endless cycle of *accumulation by expropriation* (Marx, 1894/1959, 305).

To better understand this phenomenon, consider that at the onset of the *crisis over-accumulation*, workers and weaker capitalists tend to rush to sell their assets in order to avoid bankruptcy and the incoming devaluation of capitals. The market becomes flooded with sellers, and many are forced to drop their asking price well beyond what said assets are normally worth (hence why they suffer heavy losses) (Sewell, 2012). On this Marx (1885/1956) remarked:

The commodity-capitals compete with one another for a place in the market. Late-comers, to sell at all, sell at lower prices. The former streams have not yet been disposed of when payment for them falls due. Their owners must declare their insolvency or sell at any price to meet their obligations. (43)

As a result, weaker capitalists, the so-called ‘petty bourgeois’, begin to perish as their assets are eaten up by the bigger players in the capitalist market (LFRP, 1983). As Harvey (1982) puts it, the latter can “absorb the physical and financial assets of the small-scale capitalists at a reduced value” (198). This smaller number of successful entrepreneurs are then left in an advantageous position. Having had large enough reserves of capital to weather the crisis, they can now take advantage of bargains on capital assets which they then turn over for profit by selling at much higher prices when the downturn ends (LFRP, 1983). This means that the very rich, in effect, get richer coming out of each crisis. Marx (1894/1959) argued that this

phenomenon was representative of yet another of capitalism's contradictions, this time in relation to the contradictory position taken by its supporters on the benefits of competition (a staple concept under the free-market doctrine). On this he noted:

So long as things go well, competition effects an operating fraternity of the capitalist class...so that each shares in common loot in proportion to the size of his respective investment, but as soon as it no longer is a question of sharing profits, but of sharing losses, everyone tries to reduce his own share to a minimum and to shove it off upon another. The class as such must inevitably lose. How much the individual capitalist must bear the loss is decided by strength and cunning, and competition then becomes a fight among hostile brothers. The antagonism between each individual capitalist's interests and those of the capitalist class as a whole, comes to the surface, just as previously the identity of these interests operated in practice through competition. (173)

Accumulation by expropriation is partly responsible for paving the way for a new *boom*, helping repeat the *business cycle* anew. In the aftermath of the crisis, large amounts of workers are competing for jobs and are thus willing to accept very low wages or risk further unemployment. *Means of production* are similarly available for cheap, having been expropriated from petty bourgeois who went under, ransacked by those upper-echelon capitalists who weathered the crisis relatively unscathed (LFRP, 1983). With prices at an all-time low, a surplus of *labour-power*, weaker competition eliminated, and excess capitals destroyed, new investment opportunities are ripe; a new phase of economic prosperity begins (Sewell, 2012; Marx, 1894/1959, 174).

This prosperity, however, comes with a price in the long-run: with each passing crisis the same mass of profit is shared among an increasingly smaller number of capitalists. These elites continue to get richer and more exclusive, and this in turn makes them better prepared to weather the next crisis, increasing their chances of getting even richer (LFRP, 1983). In other words, under the capitalist mode of production, the wealth gap between the classes continuously increases, and this compounds the crisis of the realization in the long-run (as we will observe in

the next chapter, this has been an increasingly apparent fact of life under capitalism over the past few decades). Incidentally, this is another example of how we interpret *TPRF* as both a long-term and a cyclical *boom/bust* cycle.

Section 2.17: The paradox of capital accumulation

A structural-Marxist framework for understanding crises will allow us to draw several important conclusions about the recent crisis, and capitalism in general, that are relevant for the analysis chapters of this thesis. From a theoretical perspective the most importance of these is the notion that, with time, the capitalist mode of production will find it increasingly difficult to reproduce its *economic structure* at an expanded scale. This instability manifests itself in the form of periodic *crises of over-accumulation*, whereby capital circulation is frozen by large amounts of idle capitals held up at different points in production. With each passing crisis, the resulting accumulation by expropriation keeps concentrating wealth in fewer and fewer hands, thereby increasing wealth inequality and accentuating the demand problem brought on by *TPRF*. As a result, each economic *bust* occurs with greater severity and increasing frequency. This scenario forms the basic premise behind Marx's argument that as capitalism ages, it becomes increasingly unstable.

Second is the idea that the immiseration of the masses brought on by crises represents the epitome of capitalist exploitation in the structural-Marxist framework proposed. The fact that the capitalists always seek to dump the burden of depreciation caused by *overproduction* on the proletariat means that it is during these periods that human suffering is at its highest – this is when the capitalist class paradigm is bent to its limits. It is for this reason that Marx (1867/1887)

argued that immiseration (i.e. exploitation²⁷) is a structural feature of the capitalist mode of production; it promotes “an accumulation of wealth at one pole. [...] at the same time as accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the opposite pole” (451). This means that crises are, at the very least in part, the products of the activities of the wealthy, who profit both before and after the crisis while the masses are left wanting (Sayer, 2015).

Third is the notion that crises are the ultimate manifestation of the contradictions of capital accumulation. Average profits decline in the long-run not because productivity decreases but precisely because it increases, leading to a gradual destabilization of production as capitalists increasingly fail to meet the objective of capital accumulation (i.e. *compound growth*). The *dialectical contradiction* between the unlimited drive to produce (i.e. *productivism*), which is unique to capitalist production, and the decreasing demand of the masses caused by their immiseration at the hands of the capitalist class, is at the heart of the structural-Marxist theory of crises I propose (Sewell, 2012).

Fourth, crises in capitalism are irresolvable because the contradictions that cause them are themselves irresolvable structural features of the capitalist mode of production. Yet as the objectives of capital accumulation become harder and harder to materialize in a material world of finite resources, increasingly centralized wealth, and a falling rate of profit, so too will capitalism resort to increasingly aggressive measures to keep up the façade that *productivism* is the only answer. This is because the accumulation of capital on an expanded scale necessitates transcending the material barriers of production, hence why capitalism employs certain *counter-acting measures* to suspend its contradictions (Clarke, 1990, 60, 460). As *TPRF* takes hold in the

²⁷ Revert to section 2.6 for an explanation on why exploitation is one of the structural features of capital accumulation.

long-run, capitalism's *counter-acting measures* will begin to fail, and its contradictions will become increasingly visible (Giacche, 2011, 20). The inability for capital to accumulate consistently on the basis of *expanded reproduction* will thus be paralleled by a rise in behaviours that seem to run counter to the ideologies of capital (i.e. bourgeois theory) (Harvey, 2004, 64). For example, despite claiming to be compatible with democracy, capitalism will freely eschew the democratic process when *TPRF* takes hold by creating arbitrary inequalities which undermine the values of meritocracy (Piketty, 2014, 1). Or, instead of exhibiting the ideals of market competition, capitalists will turn on themselves in times of crisis to form oligarchies at the expense of everyone else. As Marx (1939/1973) pointed out:

As soon as [capitalism] begins to sense itself and become conscious of itself as a barrier to development, it seeks refuge in forms which, by restricting free competition, seem to make the rule of capital more perfect, but are the same time the heralds of its dissolution and of the dissolution of the mode of production resting on it. (582)

Lastly, crises are a necessary part of the reproduction of the capitalist mode of production. As Clarke (1990) points out, the tendency for capital accumulation to inevitably always be heading toward a crisis is not a “pathological tendency”, but “the normal form of capitalist accumulation in all branches and departments of social production at all times” (457). The *destruction of capitals* is an integral part of the process of dealing with *overproduction* and bringing workers back into line, setting up a new period of profitability (Harvey, 2014). This is why Marx (1863/1963) believed that crises are not “accidental, as Ricardo maintains, but essential outbreaks” (Clarke, 1994, 183). It is through crises that *TPRF* is in fact stalled. This reveals capital's constant need to dominate the class struggle in order to reproduce its *economic structure*, underlining the antagonistic nature of the social relations of capitalist production, and how they are part of the very structure of capitalist production (Clarke, 1990, 446). Ultimately, the structural-Marxist model I propose requires us to grapple with the fact that capitalism

demands the replenishment of poverty at an accelerated rate, and that the accumulation of capital can only occur if some get richer while others become poorer.

Now that we have a fully rounded Marxist model on how crises form in capitalist social formations, it is necessary to unpack the significance it holds for this thesis, given that it forms the theoretical backbone on which the analyses in chapter three and four are holstered. To recapitulate, in part one of this chapter I have reviewed what Marx had to say about capital accumulation and the circulation of capitals. I then infused Marx's *HM* with the structuralism of Althusser in order to reveal what I dub to be the structural features of capitalist production, namely exploitation, fetishism, and the most important for the theoretical model proposed, *productivism*. It is here that we also learned that capitalist production is a process rooted in a pursuit of *surplus-value* which inherently cannot abide by a limit, and as such is dependent on a continuous re-investment of profits into the *means of production*. Each time capital accumulation encounters a blockage, it attempts to transform it into a barrier to be circumvented (Harvey 2010b, 2014). In part two of this chapter we have learned that capitalist production operates in a contradictory manner, and that there is one contradiction that acts as an impediment to capital accumulation which supersedes all others in the long term; that between *productivism* and the material limits of production (emphasizing the objective nature of the conditions under which the capitalist mode of production reproduces itself, as dictated by the structuralism of Althusser). This contradiction is exemplified by the relationship between the objective of capital accumulation, as predicated by the law of *expanded reproduction* (or *compound growth*), the theory on the falling rate of profit, the so-called *profit-squeeze*, and the problem of demand brought on by the *overproduction* of capitals. When taken together, these elements reveal that the way in which capital accumulates under the capitalist mode of production leads to the gradual

decline of this mode of production's ability to reproduce its *economic structure* in the long-term. The manifestation of this decline is expressed as economic crises that occur with increasing frequency and severity.

In the next chapter, the theoretical model on crises constructed here will allow us to examine the ways in which the global financial crisis is not the unexpected event mainstream narratives maintain, but rather one that has been over a century in the making. In chapter four, the theoretical model proposed will be deployed to analyze the role that international financial institutions have had in the recent crisis and draw a link between these patterns and the status of modern capitalism. There, I suggest that the economic trauma we face now is intimately linked to the predisposition of capital (reproduction and accumulation. This is ultimately meant to underline the fact that while we are governed by this 'new', more aggressive form of capitalism, it is also 'the same' in that Marx's insights regarding the contradictions of capital accumulation are equally applicable today as they were over a century ago.

CHAPTER THREE: CRISES PAST, CRISES PRESENT, AND THE FUTURE OF CAPITAL

Section 3.1: An introduction to a brief history of crises in capitalism

In this chapter, I examine general trends in the history of capitalism's socio-political landscape, juxtaposing notable events with elements from the theoretical framework. This discussion is meant to reflect an application of the theory more generally, while the next chapter deals with its application to a localized event, the Greek crisis. To this end, if we look at the evolution of capitalism over the last century using the U.S. as a model for generalization, we see a narrative that mirrors several of Marx's positions regarding capital accumulation and *productivism*²⁸. We will observe that capitalism experienced a *boom*²⁹ period after World War II where demand did in fact increase almost as fast as productivity, essentially masking *TPRF*. As a result, near the end of this period we see a *profit-squeeze*³⁰, culminating in the transition to a more aggressive form of capitalism: *neoliberalism* (Harvey, 2004; 2010a; 2010b). We can then trace a new trend of decimating labour unions under a wave of 'free-trade' neoliberal policies, where productivity is accelerated exponentially thanks to rapid technological developments, consequently raising the *organic composition of capital*³¹. We will then observe relevant events in the history of capitalism as neoliberalism, such as how it has empowered the financial sector in the hopes of breaking through the material limits of capital accumulation, and how these attempts have created untold instabilities in the market. This has forced neoliberalism to take a rather imperialist role in achieving its objectives. Overseas, it succeeded in forcing economically

²⁸ Revert to section 2.4 for a review of the role played by *productivism* as one of the structural tendencies of capital accumulation

²⁹ Revert to section 2.15 for a review of the *economic boom* and section 2.14 for a review of its place in the capitalist *business cycle*.

³⁰ Revert to section 2.12 for a review of the *profit-squeeze* crisis.

³¹ Revert to section 2.10 for a review of the *rising organic composition of capital* phenomenon.

stressed nations to adopt neoliberal policies in exchange for monetary aid, hoping to reap profits in new markets so that it can maintain the illusion of *compound growth*³². At home, it has resorted to credit as the ultimate solution to a growing *crisis of realization*³³, temporarily overcoming the problem of demand by artificially expanding the market beyond its material limits. Yet since this credit was, for the most part, based on *fictitious capitals*, it was only a matter of time before the hidden debts came to light and *TPRF* caught up with the neoliberal obsession with *expanded reproduction*³⁴. The credit bubble finally burst in 2007 during the U.S. subprime mortgage crisis, leading to the collapse of the neoliberal global financial sector and conclusively showing that the recent crisis was only the surface eruption to a deeper problem related to the predisposition of capital accumulation (Harvey, 2010a; 2010b).

Section 3.2: The Roaring Twenties and the Great Depression

The structural-Marxist model on crises I propose directs us to begin my analysis from the premise that this recent Great Recession is not at all new, but over a century in the making (Harvey, 2010b; Giacche, 2011, 19). In so doing, we will observe that the history of capitalism has always been plagued by cycles of *economic booms* and *busts*³⁵ (or crises). With that said, it is only fitting that we begin by looking at what is perhaps capitalism's most infamous *crisis of over-accumulation*³⁶, the Great Depression, as well as the *boom* that preceded it.

In the aftermath of World War I, the U.S. emerged a significant player in the world of global finance. American capitalism (and to a lesser extent the other capitalist social formations

³² Revert to section 2.8 for a review of *compound growth*.

³³ Revert to section 2.13 for an explanation on crises of realization.

³⁴ Revert to section 2.8 for a review of *expanded reproduction*.

³⁵ Revert to section 2.16 for an explanation of the role of *busts* in the capitalist *business cycle*.

³⁶ Revert to section 2.16 for a review of *crises of over-accumulation*.

that tried to copy it) experienced unprecedented growth during the 1920's (Amadeo, 2017). The sudden mass-production of what were once novelty technological innovations – e.g. cars, planes, telephones, appliances – created a flood of new business opportunities for the burgeoning capitalist class. This rapid expansion fueled an accelerating consumer demand, resulting in a period of great wealth. This excess, however, did not last for long. While American urban centres prospered from innovation and migration, farmers in rural regions were beginning to suffer from the effects associated with the end of a prolonged *economic boom* (Bryan, 2012). Exaggerated optimism in the market led many industrial capitalists, particularly those in the agriculture sector, to over-invest in *fixed-capital* to increase production, but it soon became clear that consumer demand did not match this expansion. As a result, prices on industrial products began to fall considerably as the effects of *overproduction*³⁷ took hold (Bryan, 2012). This was one of the first signs of the crisis to come.

The financial sector was the last of the pillars of the economy to realize a crisis of *overproduction* was at hand, continuing to amass *fictitious capital*³⁸ well up until the crash itself. It was not until the global crisis had already started elsewhere (chiefly in the crash of the London Stock Exchange a month prior) that the optimism of investors in the U.S. financial sector finally began to simmer (Bierman, 1998). When the bubble of *fictitious capital* finally burst, investors were gripped by panic overnight and sold all their stocks and bonds all at once, a move that decisively crashed the American stock market in October 1929 (Harold, 1998; Weeks, 2008).

The *destruction of capitals*³⁹ during the Great Depression was unprecedented for its time. Mass-confusion among capitalists meant that the *devaluation of commodity-capital* and *money-*

³⁷ Revert to section 2.11 for an overview of the concept of *overproduction*.

³⁸ Revert to section 2.13 for an explanation of *fictitious capitals*.

³⁹ Revert to section 2.16 for a review of *devaluation* and the *destruction of capitals*.

capital occurred unabated. After the U.S. stock market crashed on October 24th of the same year, it lost a record breaking 11% of its value in one day (Harold, 1998; Weeks, 2008). The following Monday it lost an additional 13% more, followed by another 12% on the infamous “Black Tuesday” (over \$30 billion worth of capitals were destroyed in two days) (Weeks, 2008). Mass credit recalls and bankruptcies were endemic; even as early as 1931 over two thousand banks had already went under, and the failure rate for businesses was more than 130 a day (Weeks, 2008). Much like Marx observed is the case when there is no more *commodity-capital* and *money-capital* to devaluate to deal with *over-accumulation*, the economy was then immediately subjected to a *devaluation of labour-capital*. In effect, this meant a heavy down-sizing of the labour-force which, along with high unemployment and low demand, further exacerbated the recession with *crisis of realization*.

Section 3.3: The Golden Age of Capitalism

The 1929 stock market crash effectively marked the end of the roaring twenties. What followed were ten years of high unemployment, severe poverty, and regressed economic growth known as the Great Depression. Economic respite eventually came with the arrival of, and subsequent victory of western capitalist nations in World War II. The war permitted large amounts of *overproduced capital* to be relocated from the stagnant U.S. industries to the warfront, repurposing it for the war effort and thus artificially raising demand. The second respite came in the form of President Roosevelt’s so-called ‘New Deal’; a grand reconfiguration of the American economy based on new principles. Informally known as the ‘three R’s’, these principles were Relief (for the unemployed and poor), Recovery (of the economy), and Reform (of the financial system as to prevent economic crises) (Berkin, 2011).

Together, these events ushered in an era of unrivaled prosperity for American capitalism. Dubbed the ‘Golden Age of Capitalism’, or the ‘Great Boom’, this period arguably came into effect in 1944, following the Bretton Woods Conference (Armstrong et al., 1984; Marglin & Schor, 1990). It was here that delegates from the victorious Allied nations met to devise a regulatory body that could watch over what was to be a new global network of trade and finance. A number of inter-governmental institutions were born for the sole purpose of overseeing the development of this network, the most important of these being the World Bank and the International Monetary Fund (I.M.F.) (Markwell, 2006). As Harvey (2004) writes:

The [previous] system was displaced in 1945 by a U.S. led system that sought to establish a global compact among all the major capitalist powers to avoid internecine wars and find a rational way to deal collectively with the overaccumulation that had plagued the 1930s. For this to happen they had to share in the benefits of an intensification of an integrated capitalism in the core regions (hence US support for a European Union) and engage in systematic geographical expansion of the system (hence the US insistence upon decolonization and ‘developmentalism’ as a generalized goal for the rest of the world). (76)

To streamline the process and provide a foundation for what was to become an international finance sector, the attending nations agreed that there needed to be a fixed-exchange rate between the major currencies of the world as to facilitated easier capital circulation. The idea was noble enough on paper: replace the laissez-faire rule by bankers over the economy, which was thought to have caused the Great Depression, with that of welfare governments (Sayer, 2015). The reality, however, was that capitalism needed to go global, and had come to see the borders around nation states as a *barrier to capital accumulation*. To this end, the world’s most powerful capitalist nations realized that if they could decide what their currencies were to be valued as in relation to a stable denominator⁴⁰, in this case gold, they could

⁴⁰ Granted, up until this point *money-capital* had always been tied to the value of precious metals one way or another, but there had never existed a universal system of reference that could be instantly accessed from all corners of the globe at a moment’s notice (revert to section 2.2 for an explanation on the flexibility of *money-capital*).

facilitate much faster circulation of capitals across national borders. Yet this proposal, however, came with a catch. Since the U.S. owned over half the world's gold reserves, it volunteered its own currency as the intermediate party for any exchange involving this new system (Lowenstein, 2011). What this meant was that any nation embedded in the new global finance network that wished to exchange its currency to gold or vice versa had to do so through the U.S. dollar – i.e. the debt could be exchanged into dollars – which was in turn pegged to a fixed exchange rate for gold (Harvey, 2010b, 29). Many of the representatives at the Bretton Woods conference opposed this, fearing the rise of a single global currency under the control of a single nation (Harvey, 2010b). Needless to say, these concerns were ultimately sidelined and, as we will later observe, this development helped cement the U.S. as the de facto hegemonic authority on capital, a position from which it would enforce its vision of capitalism onto the world for the rest of the 20th century (Harvey, 2010b, 29).

Section 3.4: A note on Marx, Keynes, and solving crises in capitalism

Widespread acceptance of the New Deal meant that the Great Depression instigated a profound change in the views that mainstream bourgeois economists held about capitalism. After the war it was the principles of British economist John Maynard Keynes that came to dominate mainstream economics in the U.S. and other advanced capitalist nations like the U.K. (Fletcher, 1989). The Keynesian model differed from the classical model in that it recognized capitalism's constant tendency for a *crisis of realization*. Unlike Marx however, Keynes thought he could solve this tendency by intervening at different points in capital circulation (e.g. distribution and exchange) to 'steer' the market on the correct route when it 'goes off-course' (Clarke, 1990, 443). In this line of reasoning, the power of the state should be used to manipulate demand levels

as to ensure that *overproduction* (Keynes called this ‘under-consumption’) is avoided, and that wages or government spending should be increased to keep purchasing power high (even if it results in chronic deficits) (Sewell, 2012).

From a Marxian perspective, while some of Keynes’ efforts might be seen as admirable, like the notion that it is not a matter of ‘if’ but ‘when’ crises occur if the market is left to its own devices, said efforts did little to change the underlying social relations of capitalist production, nor did they change the engine of capitalism – i.e. the exploitation of labour. Marx would also argue that Keynes’ had a skewed understanding of *overproduction*. Under-consumption, as the Keynesians envisioned it, would imply the demand problem is strictly related to the realm of consumption – i.e. that profits fall because the demand of the masses is over-saturated – but this is not the case. *Overproduction* does not simply refer to the production of more goods than can be sold, but instead refers to the result of the uneven distribution of capital between the classes (upon which capitalist production is built). From a consumer’s perspective, the *overproduction* of goods (e.g. food, clothing, etc.) should almost always be a good thing for any social formation because it acts as a form of insurance for future scarcities (Harvey, 2001). Yet one could make the argument that in modern capitalist societies the *productive forces* have already been revolutionized to such extent that it should be possible, at least hypothetically, to completely solve the problem of poverty in those nations (Sewell, 2012). This cannot happen, even in the case of Keynesianism, Marx (1885/1956) would argue, because capitalist production itself is not planned to maximize needs but to maximize profits, having “absolutely nothing to do with the actual state of demand”, but “only concerned with the demand for payment, the pressing necessity of transforming commodities into money” (43). Under any type of capitalist social formation, then, it is always the case that most of the population does not receive enough in

wages to buy back the goods they produce, and the consequent poverty is what causes insufficient demand (Sewell, 2012). So while all individuals in a capitalist society contribute to the production of this wealth in one way or another, the majority of them do not benefit from it because it is instead diverted into the hands of a small group of people. This is precisely why Marx saw *overproduction* as a fundamental problem inherent only to capitalism – “an expression peculiar to the capitalist mode of production” (Marx, 1894/1959, 149); one that goes far deeper than the superficial realm of consumption, instead stemming from the very nature of capitalist production. Under-consumption in the Keynesian sense on the other hand is a different concept altogether, and one that is not unique. Engels (1874/1947) for example was keen to point out that the “under-consumption of the masses [...] is not a new phenomenon” but one that “has existed as long as there have been exploiting and exploited classes [and] been a constant feature for thousands of years” (180). What differentiates the two is that under the latter, goods sit idle in shops while the masses starve, once again exemplifying the theme of the separation of the *exchange-values* of commodities from the *use-value* needs of the masses. It is therefore not absolute poverty that causes crises in capitalism, but instead the relationship between the development of the forces of production and the growth of demand; *productivism* conditions capitalist production to operate in a manner where it always seeks to keep the accumulation of capital ahead of the growth in demand (Clarke, 1990, 447).

Ultimately the structural-Marxist position proposed by this thesis suggests Keynes was doomed to fail from the start, because he still began from the theoretical position that capitalism is still the best way to organize human production. Marx would criticize his attempts to create demand out of thin air using the state as nothing more than a utopian dream, having argued extensively against manipulations of *labour-power* (i.e. saying they would do nothing to curb the

contradictions of capital accumulation in the long-run). This is significant because, as we will observe in the next chapter, capitalism has always experienced an *oscillation* of sorts between different versions of capitalist ideology in times of catastrophe, alternating between them as to placate criticism yet never really engaging with the possibility that the organization of capitalist production itself is the true fault of crises. The shift from classical liberalism to Keynesianism as a response to the Great Depression is thus one example of this oscillation.

Section 3.5: The end of the post-war boom

In the end, the Keynesians thought that capitalism could be saved from its bad tendencies by restraining the market through regulation. They thought that if the state could invest enough, profit growth would continue, and crises would be averted. As we now know, this was not the case. The general agreement seems to be that the Golden Age *boom* ended sometime in the mid to late 1960's (Harman, 2007, Sayer, 2015). After 1966, most of the advanced western capitalist nations experienced a sharp decline in the average rate of profit for almost a decade straight (Armstrong et al., 1984; Harman, 2007; Roberts, 2012). Part of this decline was caused by the collapse of the *fictitious capital* amassed within the credit-driven financial system the Keynesians used to fuel the post-war expansion. On the other hand, profit rates were already falling⁴¹ since as early as 1949, although at a much slower pace, camouflaged by rising wages and low unemployment (Weisskopf, 1979, 352). This decline was not steady, but one where increasingly severe acute drops in profit occurred following each *business cycle* (Weisskopf, 1979, 371). *The rate of profit* would thus grow during the early stage of *boom*, before eventually falling in the late stage of expansion (in advance of the *bust*) (Weisskopf, 1979, 372). Yet despite

⁴¹ Weisskopf (1979) reports that the profit rate declined from 1949 to 1975 at an average annual rate of 1-2% (352).

this trend, economic crises as we know them today were rare during the Keynesian years, were usually in the realm of industrial production, and were relatively short-lived due to hasty state intervention. Deterioration in realization conditions (as relevant to the *crisis of realization* scenario) thus played a role in *TPRF*, but it was only a minor one and confined within each decline in the *business cycle* (Weisskopf, 1979, 371). Furthermore, unprecedented low unemployment during the *boom* from 1947 to 1976 meant that the *organic composition of capital* did not change significantly, most definitely not to the extent necessary to initiate any changes in the aggregate rate of profit⁴² (Wolff, 1986). This would effectively rule out *TPRF* through the *rising organic composition of capital* crisis scenario.

According to a structural-Marxist model on crises, only one culprit is left that can account for *TPRF* throughout the Keynesian period: the increased strength of labour (Weisskopf, 1979, 370-71). During the post-war expansion, the working class experienced a significant increase⁴³ in political power through unionization and pro-labour legislation, achieving record low unemployment rates and political influence (Sayer, 2015; Weisskopf, 1979, 366). Wages rose almost as much as increases in productivity so living standards generally went up (Sayer, 2015). By the end of the golden age it became clear that the main *barrier to capital accumulation* was the political strength of labour, a side-effect of the long-standing Keynesian objective to improve the political position of the working class (so that they may be better consumers) evidenced by a strong focus on social welfare programs and worker unions' influence on public policy, amongst other factors (Harvey, 2010b, 11). As Harvey (2010b) points out, by the late 1960's "labour was well organized, reasonably well paid and had political clout [while] capital

⁴² With some exceptions. International trade, for example, did positively contribute to the organic composition of capital (Weisskopf, 1979, 370).

⁴³ This rise, however, was mostly defensive in nature. The working class did not succeed in making true wage gains commensurate with the growth of true productivity; it only barely managed to protect itself better against long-term deterioration (Weisskopf, 1979, 370).

needed access to cheaper and more docile labour supplies” (11). This is consistent with Marx’s hypothesis regarding the outcome of the rising strength of labour in capitalist social formations – the *profit-squeeze* – where better bargaining positions for workers eventually end up eating into the profit rate, causing a crisis of low profitability (Sewell, 2012; Weisskopf, 1979, 353).

The golden age finally came to an end with the 1973-74 stock market crash which affected all major stock markets in the world, this being the definitive sign that *TPRF* had finally caught up with the post-war *boom* (Roberts, 2012). What followed was the ‘stagflation’ of the 1970’s, with respite once again came by way of replacing the dominant bourgeois economic narrative with another (Harvey, 2007, 14). To this end, a new strategy was needed to restore the profit rate, marking the rise of the philosophy known as *neoliberalism*.

Section 3.6: On neoliberalism and the rise of a global capitalism

On paper, neoliberalism is a throwback to the *laissez-affaire* classical liberalism of old, mixed with the unique developments brought forth by globalization. In this sense it differs from the pre-Great Depression era form of capitalism in that it is tailored for the modern age, specifically for the “advanced economies, transitional economies, and emerging markets” specific to the late 20th and early 21st centuries (Harvey, 2010a; Jessop, 2012, 22). As an economic philosophy, it claims to further the principles of free trade, transnational production, the free movement of capital, privatization, de-regulation (especially of financial markets), financial internationalization, and cuts in taxation, just to name a few (Chomsky, 1999; Harvey, 2010a, Jessop, 2012, 1). But while we are told it is committed to “promoting individual freedom”, the reality is that it is a type of capitalism that seeks to extend itself into areas once regarded as “extra-economic”, including publicly-owned industries and emerging markets in

developing nations (Chomsky, 1999; Jessop, 2012, 22). In more practical terms this really means neoliberalism is preoccupied with loosening the so-called “flows of capital” (i.e. *capital circulation*) at the global level as to maintain a steady *compound growth* in profits (Keeley, 2015, 43). This relentless pursuit of *surplus-value* includes a focus on: i) the realms of technology and innovation, acquiring the ability to quickly proliferate new labour-saving technologies across the globe (heavily contributing to the *rising the organic composition of capital*); a focus on international trade by way of loosening up the restrictions on capital exchange across nation states; a strong preoccupation with finance and investment, making it easier for financial capital to circulate and accumulate (resulting in high flows of *fictitious capital*); and a desire to open up new markets and find new reserve armies of labour, giving corporate agents unprecedented mobility over their production capabilities (Keeley, 2015, 45-46).

Neoliberalism’s most important feature as it relates to the structural-Marxist model I propose is the fact that, unlike Keynesianism, it is not built upon a compromise between labour and *productivism*, which as we saw earlier was meant to be a *counter-acting measure* against crises (Harvey, 2010b; Jessop, 2012, 2). This is because where Keynesianism is a philosophy tailored to recognize the inherent volatility of unchecked *expanded reproduction* and its role in producing crises, neoliberalism has no such qualms. It is instead more interested in maintaining *compound growth* at any cost necessary. In fact, the true purpose behind this obsession with unimpeded capital circulation (the key words here being ‘free trade’, ‘market liberalization’, etc.) is an attempt to suspend the *contradiction between productivism and accumulation* so that *compound growth* can be achieved. This helps explain why neoliberal philosophy sees the capitalist market as the ultimate form of economic organization, where any form of interference

in circulation of capital is thought to be an impediment to accumulation, and by extension profit (Sayer, 2015). Nonetheless, this characteristic alone makes this form of capitalism the closest manifestation of the contradiction between *productivism* and capital accumulation, or rather the expression of the drive to produce beyond the limits of the material plane coupled with the impossibility of doing so, we have seen so far.

Section 3.7: On neoliberalism as a counter-acting measure against the falling rate of profit

Neoliberalism represents one of capitalism's most successful *counter-acting measures* against *TPRF* to date, first and foremost against the *profit-squeeze* crisis caused by the Keynesians at the end of the post-war *boom*. Facing a rapidly falling profit rate, neoliberalism helped to restore profitability, and to do so labour needed to be brought back into line. This is precisely why the neoliberal doctrine of crushing worker unions⁴⁴, spearheaded by figures like Ronald Reagan in the U.S. and Margaret Thatcher in the U.K. (and to a certain extent Brian Mulroney here in Canada) became popular policy in the late 1970's, 1980's and early 1990's (Harvey, 2010b, 14). The objective of these initiatives was twofold: a) cut wages where-ever possible, or at the very least prevent them from increasing; and b) artificially raise the unemployment rate so that capitalists could have access to a larger army of workers to exploit for low wages (i.e. a *reserve army of labour*) (Harvey, 2010b, 15).

As it were, neoliberalism's initial efforts to curb *TPRF* were for the most part successful. By 1982 the U.S. unemployment rate had risen past 10%, while wages had stagnated since the

⁴⁴ Prime Minister Thatcher famously dealt a heavy blow to the miner and print unions while President Reagan is credited with reigning in the 'greedy' air traffic controllers union (Prime minister Mulroney is also remembered for introducing legislation to stop strikes from federal civil servants) (Harvey, 2010b, 14). It should also be noted that while these were conservative political figures, implementation of the neoliberal agenda is a non-partisan issue; it is pursued by both conservatives and liberals alike (Sayer, 2015).

early 1970's (Harvey, 2010b, 15). As a result, from 1982 to 1997 the fall in aggregate profit rates began to reverse, recovering roughly 40% of the decline experienced at the end of the golden age (Harman, 2007; Roberts, 2012). Still, this was not enough to maintain *compound growth*; more labour was needed. For this reason, strategies were developed to access new pools of labour domestically, starting by bringing women and rural labourers into the urban workforce (Harvey, 2010b, 15). Eventually, the search for a *reserve army of labour* could not be restricted to the single nation state. It needed to go global. Globalization thus proved to be the perfect vehicle by which neoliberalism was able to create a global environment where not only could capitalists access new forms of cheap labour to exploit but also reach (or create) new markets of consumers (Harvey, 2010b, 15). It is precisely this easily accessible global labour market that gave birth to the well-known phenomenon of off-shore production, where corporations rushed to relocate their factories to nations with weak economies (and regulatory frameworks) so that they could pay workers as little as possible and reap the most profits in domestic consumer markets (Harvey, 2010b, 15).

Nonetheless, sudden access to a global reserve army of labour presented yet another problem for neoliberalism: a *barrier to capital accumulation* of the geographical kind. Manipulating the labour markets on a global scale required faster circulation of *money-capital* unburdened by traditional barriers such as the limitations placed by nation-states (or national divisions⁴⁵). Tariffs on trade and labour regulations had to be eliminated so that capital circulation and accumulation could flow unhindered (Chomsky, 1999; Harvey, 2010b, 15). Once again this is precisely why 'free-trade' doctrine became the ideological norm of neoliberalism –

⁴⁵ In the domestic U.S. market for example, banks were confined to operating within individual states prior to the 1970's (Harvey, 2010b, 19).

it not only refers to the freedom of exchanging commodities, but also the freedom of moving other types of capital around without restriction (e.g. *money-capital*, *labour-capital*). This latter point is significant because, as we will later observe, this new, growing mass of capitals moving around the globe has fundamentally shifted the nature of capital circulation and accumulation, resulting in far more brutal methods of *accumulation by expropriation* done on a scale that has not been seen before (Glassman, 2006; Harvey, 2010b).

Section 3.8: Neoliberalism and the evolving role of the nation state

In order to achieve what it set out to do - i.e. reverse *TPRF* - neoliberalism needed help from the state. This is because as in any social formation, the state always has a rather large impact, through its policies, on the course of capital accumulation (Clarke, 1990, 463).

Neoliberal bourgeois theory is not shy in contradicting this by telling us how much it adheres to the principle of non-intervention, one of the hallmarks of the classical liberalism of Ricardo and Smith (Harvey, 2010a; 2010b). Within the neoliberal free-market, we are told, the role of the state should be one that is almost ceremonial, interfering into the economy only to make sure capital circulation is unhindered (Jessop, 2012; Sayer, 2015). The market, the saying goes, is always right, and it will always ‘balance’ itself if given enough time (Chomsky, 1999; Sayer, 2015).

If viewed through a structural-Marxist model, this is a bizarre theory based on impossible assumptions, where markets are personified as caring individuals that correctly assess all relevant information, estimate risk, and allocate services based on the public good (Sayer, 2015). The reality, Marx would argue, is much different – a contradiction, even. While officially neoliberal bourgeois theory is supposedly driven by the non-market interference principle of

laissez-affaire economics, it is in fact addicted to state intervention, so much so that it cannot operate without it (Harvey, 2010b, 10). As Harman (2007) writes, “neoliberalism does not preclude a continuing strong element of state capitalism in actual government policy [...] this is true not just of the US [...] governments as varied as those of the Scandinavian countries and Japan have rushed to prop up banks whose collapse might damage the rest of the national financial system” (para. 42). In fact, as we will later observe, the neoliberal state frequently intervenes to prop-up failing corporations and banks with tax-payer dollars (take, for example, the near bankruptcy of Chrysler and its bailout in 1979-80) (Harman, 2007).

Despite all the neoliberal talk of deregulation, there has been extensive re-regulation, or rather a ‘formalization of regulation’, where globalization has signaled the emergence of global networks that intermingle the public and the private like never before (Picciotto, 2011). The neoliberal obsession with the privatization of state-owned assets, free-market initiatives, and other neoliberal ‘prescriptions’ has not led to a reduced role of the state, but to changes in its form (Picciotto, 2011). Corporations and neoliberal governments live in symbiotic relationships, or what Tombs & Whyte (2015) refer to as the *neoliberal state-corporate nexus* (94).

At the international level, the *neoliberal state-corporate nexus* sought to interlink banks and financial institutions, controlled by the strongest capitalist states⁴⁶. But as banks became interlinked across the globe due to *financialization*, so too did competition increase; banks in Germany, for example, now had to compete with those on Wall Street (Harvey, 2004). Capitalist states attempted to protect their domestic corporations and keep their share of global profits by promoting a sort of ‘regulatory race to the bottom’, where places with the least regulations and taxes on the circulation of capital became the most sought after (Harvey, 2010b, 19). Whenever

⁴⁶ The North American Free Trade Agreement and the Eurozone are examples of international free-trade policy coming from these channels.

one such nation would reduce their regulatory burdens, others would be forced to follow or risk losing business (Harvey, 2010b, 19).

Conceptualizing the role of the neoliberal state in this manner allows us to make the more general claim that we should discard instrumentalist interpretations of the state. This becomes important later on when we look at the *oscillation* between interventionist and non-interventionist bourgeois theory as capital's means to 'solve' crises and distract from the reality that capitalism is, and always will be, a contradictory mode of production.

Section 3.9: On neoliberalism and rising wealth inequality

Neoliberalism's focus on aggressive state intervention to fuel globalization and the assault on labour have generated well-documented imbalances in the realm of wealth inequality⁴⁷ where it is the dominant mode of production (Roberts, 2012). The integration of nations and markets into the global flows of trade, investment, and technology has compounded the effects of the *concentration and centralization of capital* and the *rising organic composition of capital* (Keeley, 2015, 42).

The degree of wealth inequality in the neoliberal era is such that Harvey (2007) goes on to call poverty one of the most "persistent" features of this form of capitalism (16). The OECD reports that while the poverty rate declined steadily in Western Europe and the U.S. throughout the first half of the 20th century, since the 1970's the pattern has reversed (Keeley, 2015, 2). In

⁴⁷ Note that I say *wealth inequality* here instead of *income inequality* because income inequality only refers to the widening gap between incomes (usually annually), as income is essentially the amount of money someone receives for their labour and sale of goods (Sayer, 2015). Wealth inequality on the other hand is the better term because it deals with the net worth of an individual in full – i.e. the value of all their assets (e.g. *money-capital*, real estate, personal property, etc.) minus all their liabilities. Unlike income it includes assets or negative balances not immediately apparent, such as high-value commodities or debt, and as such it makes it the better measurement tool (Sayer, 2015).

the U.S. specifically, severe wage repression caused by neoliberal policies during the 1980's meant that for the first time in decades working-class individuals started experiencing difficulties affording necessities for daily life (Harvey, 2010b, 19). It is unfortunate to note then that since that time, wealth inequality has only further increased. As Keely (2015) reports, poverty has been steadily rising in almost all OECD countries since the early 1970's. Within the context of a structural-Marxist model we know that as wages decrease for the masses, the extra surplus capital is *concentrated and centralized* in the coffers of an increasingly smaller number of capitalists. Case and point, during the 1970's the richest 10% of the population (in OECD nations) earned on average 7 times as much than the poorest 10%, yet by 2015 that increased to almost 10 times as much (OECD, 2015, 15). In the English-speaking OECD countries, the share of pre-tax income going to the richest 1% of the population has more than doubled since the 1980's, reaching almost 20% in 2012 (Keeley, 2015, 3). If we go even further and look at the richest 0.1% of the population, we can see that in the after-tax income for this segment rose by a staggering 400% from just 1979 to 2005 (Keeley, 2015, 56). By 2012 the richest 10% of the population (of OECD nations) controlled half of all household wealth, with the wealthiest 1% controlling 18% and the poorest 40% controlling only 3% (Keeley, 2015, 3; OECD, 2015, 16). If we narrow down the sample size to just the U.S., where neoliberalism has arguably been most prevalent, we can see that during the decade prior to the 2007 collapse real household incomes increased by an average of 1.2% a year in the U.S., which at first glance gives a real sense of growth (Keeley, 2015, 57). But when the top 1% of earners is excluded from this pool, the average drops to 0.6% (Keeley, 2015, 57). Once again what looked like an improvement in the population's overall economic well-being disproportionately benefited a much smaller group than the figures suggest.

The reason we are witnessing increasing wealth inequality during the neoliberal period is twofold. First, where the state played a significant role in reducing wealth inequality during the Keynesian period, the trend under neoliberalism has been to redistribute less. Policies that move to reduce regulation and decrease taxation on the rich have compounded this problem; it was the *neoliberal state-corporate nexus* that was responsible for the welfare cuts and rise in part-time employment we saw from the late 1970's onwards (Keeley, 2015, 42; Roberts, 2016a). Furthermore, neoliberalism has rapidly accelerated the *rising organic composition of capital* through the proliferation of labor-saving technologies which decrease the need for workers (Harvey, 2010b, 14). It is no coincidence that it was during the neoliberal age that we saw the unchecked rise of robot assisted manufacturing (especially in the auto industry), in part thanks to weaker unions, resulting in record numbers of mass-layoffs (Harvey, 2010b). In this respect, labour-saving technologies have played an important role in contributing to unemployment and helping keep a steady *reserve army of labour* (Harvey, 2010b, 14; Keeley, 2015, 45). Technology is constantly destroying old jobs and creating new ones; killing off the jobs of middle and low-skilled workers and making an increasingly smaller pool of high-skilled workers more valuable. Furthermore, we can also expect labour-saving technologies to result in an increasingly larger share of income that goes to the owners of capital, while a smaller share to the people who work for them (Keeley, 2015, 42, 50). As we will later observe, this has been one of the vehicles behind neoliberalism's increasing demand problem.

A rising wealth inequality that corresponds with the neoliberal age is significant for my structural-Marxist model because it shows that this form of capitalism is set on enforcing a 'rule of the rich' (Sayer, 2015). The *concentration and centralization of capital* that is the precursor for a rising wealth inequality is always accompanied by an equal rise in the *rate of exploitation*.

As workers are squeezed for more *surplus-value* and the *reserve army of labour* grows, the immiseration of the masses increases.

Section 3.10: The Great Credit Solution

While the neoliberal obsession with wage repression and the *rising organic composition of capital* did prove successful in curbing *TPRF* in the short-term, these methods would later create a new *barrier to capital accumulation* in the long-run. Increasing wealth inequality had started to cripple the purchasing power of the masses, resulting in a lower aggregate demand that began eating into profits (Roberts, 2015). It soon became evident that dealing with the *profit-squeeze* in this manner came with an unwanted side-effect, and the *crisis of realization*, a beast long kept at bay by the Keynesians, reared its ugly head once more. This, Marx believed, is the tragedy of capital accumulation left unbridled in the pursuit of *productivism*: the very rich, in their quest to become even richer, succeeded only in sabotaging capital's directive for *compound growth*.

By the 1980's it was apparent to every bourgeois economist that *crisis of realization* was imminent, and neoliberalism desperately sought a solution to the growing contradiction between a falling demand and *expanded reproduction*. To this end, the bourgeoisie realized that the gap between earned wages and spending power could be alleviated by enticing the masses into acquiring bank-issued credit for everyday purchases (Harvey, 2010b, 15). Credit was thus given to low-income families, enabling them to make purchases they previously would not have qualified for (e.g. car loans and houses), ultimately giving a fictitious sense of growing wealth (Giacche, 2011, 26; Payne, 2012). Later, this expanded past mortgages into other forms of consumerism, from a wide variety of credit cards (including those marketed to children), credit

to specific stores, and even virtual credit (Harvey, 2010b, 15). The credit craze soon spread to the corporate world, which proved to be a short-term boon for small-time businesses looking to increase production by borrowing against the value of future (*fictitious*) assets (Chomsky, 1999; Jessop, 2012). Credit was then given to governments, giving the impression of growth via privately funded social projects but consequently allowing the finance sector to essentially hold regular citizens hostage via their taxes (Payne, 2012). It did not take long for banks and other big players from the finance sector to realize that credit could be exported internationally into new markets around the globe via globalization. In the U.S., for example, Wall Street investment banks, having exhausted the domestic market of opportunities, began lending to developing nations like Brazil, China, and Mexico in the 1970's, and later the former communist states of Eastern Europe in the 1990's (Harvey, 2010b, 19; Payne, 2012).

In the beginning the great credit solution seemed to be, for the most part, successful. As Harvey (2010b) writes, "the demand problem was temporarily bridged [...] by debt-financing the developers as well as the buyers" (18). The decline of domestic housing markets, seen as the first sign of the impending *crisis of realization*, was reversed, and the increased spending power offered to the masses by credit helped the profit rate start to recover. But much like Marx predicted is always the case when relying solely on credit as a *counter-acting measure* to *TPRF*, other problems were soon to come. In the U.S. domestic market, low interest rates along with rapid developments in financial innovation led to bank credit growing at rates highly exceeding average earnings (Caldera-Sanchez et al., 2016, 5; Elmeskov, 2009, 2). In fact, the OECD reports that since the 1960's, credit by financial institutions (mostly banks) has grown at three times the pace of economic activity (Keeley, 2015, 59). By the 1990's, banks were using increased leverage to the point where they were lending three times the value of their deposits (Harvey,

2010b, 29). By 2006, the debt-deposit ratio was as high as 30 to 1, with the financial sector being the most indebted part of the economy (Harvey, 2010b, 29). Because competition among banks was weak, new players could not afford to break the monopoly, and those involved were not interested in driving down the interest rates (Sayer, 2015). As a result, a few major financial institutions became actively involved in supporting and promoting indebtedness for profit, whereby banks would finance the debts of people who had no real steady incomes (Harvey, 2010b, 15). Many lending institutions, like Fannie Mae and Freddie Mac in the U.S., were pressured to loosen credit conditions, especially for low-income individuals (Harvey, 2010b, 18). As a result, the average household debt in the U.S. (including mortgages) grew to a record \$40,000 in 1980, and has kept growing ever since (it was over \$130,000 in 2010) (Harvey, 2010b, 15). It is clear that, as Harvey (2014) puts it, over “the last forty years demand has been supplemented by private and public debt creation” (339). This is significant because where the Keynesians kept credit heavily regulated to keep interest rates down and inhibit asset inflation to stop bubbles of *fictitious capital* from forming, the neoliberal bourgeois ignored all the warning signs that the credit solution was not sustainable in the long-run (Sayer, 2015).

Section 3.11: On the global financial sector and fictitious capitals

The rise of credit is one of the primary initiatives by which the neoliberal age saw an empowerment of the financial sector in relation to other manufacturing sectors. In its capacity as a *counter-acting measure*, the neoliberal focus on finance and credit succeeding in curbing *TPRF* at the expense of future debt crises. It mitigated the consequences of lower wages (i.e. the demand problem), staved off *overproduction* and deferred the outbreak of a *crisis of over-accumulation*, as well as provided credit to the industrial sector for a further *boom* (Giacche,

2011, 26). Yet while continuous financial innovation has been paramount for the survival of capitalism, excessive power concentrated in the financial system generated its own set of problems, and by extension more *barriers to capital accumulation* were soon to show up (Harvey, 2010b).

As wealth inequality grew after the 1980's, the common narrative floating around was that the rich getting richer is good news, since they were the ones supposedly investing into new enterprises. But while they did invest, they did not do so into production, but rather into the stock market, which, as Harvey (2010b) points out, has always had an inherent "Ponzi-like character" (18). This led to the rise of a global shadow-banking system focusing on a 'futures-market' that dealt with speculations on future debts, credit swaps, and other types of 'futures' financial investments like betting on real estate bubbles, *commodity* markets, etc. (Harman, 2007; Harvey, 2010b, 22). This made it possible for finance capitalists to speculate with the hope of obtaining otherwise impossible levels of profit, although at great risk (Giacche, 2011, 27). Incidentally it is this – the speculation to valorize capital – that marks the same concerns Marx had about the financial sector in the context of the *overproduction of fictitious capital* as discussed in the previous chapter, although to a much lesser degree.

Exploitative actions typical of finance capitalists often come from legal channels, or at least take place in an environment where the neoliberal state permits it (Harvey 2010b). These include: taking-over companies to load them up with debt or to raid their pension funds; designing doomed-to-fail products in order to bet on them failing; credit rating agencies having a financial interest in the companies they are rating; meddling with interest rates on interbank lending as to conceal banks' real assets for profit gain; forcing small-business borrowers out of business in order to overtake their assets; privatization of what were once public property

resources (e.g. water or education), mergers and acquisitions that result in the stripping of assets; pressuring governments to seize assets; renegeing on obligations through bankruptcy proceedings; etc. (Harvey, 2010b; Sayer, 2015). This also explains why there is a heavy presence of top executives and finance professionals among the top earners of the capitalist class, given that a big chunk of their wealth comes from stock options and the aforementioned activities (Keeley, 2015, 58). As Keeley (2015) writes, “a range of special factors have been involved in boosting top incomes [including] the emergence of a ‘superstar’ labour market, the growing use of stock options and performance pay and the ‘financialization’⁴⁸ of economies” (42). Such finance capitalists then use tax havens to hide their wealth, avoid tax, and escape regulation. These places are designed to obfuscate how much they own, who owns it, and where it comes from (banks and whole governments also engage in this behaviour) (Sayer, 2015). As Harvey (2004) writes, the “sheer volatility and chaotic fragmentation of power conflicts makes it hard to discern how the stern laws of economics are working behind all the smoke and mirrors (particularly those of the financial sector)” (79).

It should be noted that this is not to say that the unsavory activities exhibited by the financial sector did not exist prior to the neoliberal era, but at that time the concept of a *financialization* was practically unheard of (Sayer, 2015). For much of the first half of the 20th century capitals tended to rarely cross borders, with businesses investing mainly at home and spending little on foreign direct investments (Wolf, 2011). For example, in the early 1980’s when *financialization* of the global economy had barely begun, foreign direct investments accounted for barely 1/20 of economic activity in OECD countries, while today it accounts for over half (Keeley, 2015, 46). This is because the pace of trade integration and financial openness

⁴⁸ Bezemer (2010) defines the “financialization of the economy” as the “capacity of finance capital to take over and dominate [...] all the activities of the business world” (684).

sped up significantly in the mid 1990's (Carroll & Sapinski, 2016; Keeley, 2015, 43). Whenever profits started falling again after this point, as was the case in the late 1990's, *financialization* increased as a response to potential crises (Harvey, 2010b; Wolff, 2011). In turn, stagnated wages and low profits led to even more asset speculation in the hopes of covering *TPRF* with *fictitious capital* (Harvey, 2010b, 29). Where industrial manufacturing accounted for over 50% of corporate profits by 1950 and profits from the financial sector only 10%, by 2005 these had reversed to 5% and 40% respectively (Harvey, 2010b, 22). As a result, the amount of *fictitious capital* in circulation in the global market grew considerably. Investors could now bet on anything from pollution to the weather, and hedge funds became wildly profitable. These forms of transactions went from being worth almost nothing in the early 1990's, to \$250 trillion by 2005, reaching as much as \$600 trillion in 2008 (speaking to their over-inflated values, the global output of real value in 2005 was only \$45 trillion) (Harvey, 2010b, 22; Wolf, 2011). In the U.S., the trend since the end of the 1990's has been for financial profits to grow exponentially, losing all relation to GDP trends and profits from other activities (Giacche, 2011, 27).

From a structural-Marxist perspective, the rise of a global financial sector and its overreliance on *fictitious capital* to curb *TPRF* is problematic because it is a sign that *money-capital* (i.e. *exchange-values*) is finally winning the war over goods and services (i.e. *use-values*) (Sayer, 2015; Wolff, 2012). This means that neoliberalism is attempting to maintain *compound growth* by deploying a more aggressive form of *expanded reproduction* that seeks to further free *money-capital* from any material *use-value* so that it may multiply indefinitely. This also means that the sort of activities the financial sector engages in are reminiscent of the way Marx described the way *money-capital* is used to replicate itself through speculation on the futures of capitals, currency values, debt, etc. – i.e. transition from *M-C-M'* circulation to *M-M'*, where we

completely fetishize *exchange-values* to the point where *use-values* do not even matter anymore (Harvey, 2004, 72). To this end, *financialization* always runs the risk of creating a virtual economy that can end up dominating the actual material economy (Sayer, 2015).

Second, *financialization* is problematic because in a financialized economy, the financial sector has considerable *structural* power since it controls the flow of *money-capital*. This means that any public policy coming out of the *neoliberal corporate-state nexus* must therefore suit creditors first and foremost, bringing us full circle to a structural-Marxist interpretation of a capitalist state that works in unison with pro-capitalist interests to counter-act *TPRF* (Sayer, 2015).

Third, *financialization* is problematic because by *fictitious capital* to keep *compound growth* alive, neoliberalism has contributed to an environment prone to severe recessions, usually by virtue of rapid growth of private credit and imbalances in the housing market (Caldera-Sanchez et al., 2016, 6). Thus, financial market liberalization is like a double-edge sword: on the one hand it often yields stronger profit growth (helping counter periods of low profitability), but on the other it makes the economy highly susceptible to severe recessions in the long-term (Carroll & Sapinski, 2016; Caldera-Sanchez et al., 2016, 5). Corporate profits relying on *fictitious capital* get puffed-up until they lose touch with reality, and all things appear well until it is discovered, last-minute, that they are not (Harman, 2007). The volatility of the activities of the global financial sector have thus signaled the arrival of a new type of crisis, the ‘financial crisis’; a much nastier beast to reign-in than the industrial *overproduction* crisis of old. This is because during the golden age, bankruptcies in general were quite rare. In fact, there had been next to no financial crises in the U.S. between the end of World War II and 1968, and no world-wide banking crises between 1945 and 1971 (Giacche, 2011, 25). Since then, as growth slowed,

leveraged credit increased, and financial instability grew, the number has been in the hundreds (Harman, 2007; Harvey, 2010b, 9).

The first full scale financial crisis was in 1973, when the global property market crashed and several banks went under at the same time. This was the so-called ‘wealth crash’ of the 1970’s (Harvey, 2007, 14, 16). From then on, crises involving large scale bankruptcies became extremely common in advanced capitalist nations around the world (the I.M.F. counted more than 200 between 1975 and 1997 alone) (Giacche, 2011, 25; Harman, 2007). The Japanese *boom* of 1975, for example, ended with a severe crash. Later, there was the international debt crisis of 1982-1985, which saw 1,860 banks go bankrupt (costing taxpayers over \$200 billion) (Harvey, 2007, 95). Then there was the recession of the late 1980’s and early 1990’s – i.e. the ‘Black Monday’ stock market crash of 1987 – followed by the U.S. savings and loan crisis (Bernhardt & Eckblad, 1987). At around the same time, the Nordic crisis was raging on, caused by a bubble in the property market (Harvey, 2004). In 1994, we had the Mexican peso crisis (Whitt, 1996). Elsewhere, the 1997/98 south-east Asian crisis was blamed on excessive urban development fueled by speculative (fictitious) capital (Carson & Clark, 2013). In 1998, there was the Russian ruble crisis. As the financial sector grew in the new millennia, the scale of financial crises got even bigger with the collapse of Enron and WorldCom, referred to as the ‘dot-com bubble’ (Harman, 2007). The end of the credit-fueled stock-market bubbles in the high-tech sectors was perhaps the most prominent sign that another big collapse would soon be imminent (Roberts, 2012).

Section 3.12: Accumulation by expropriation on an expanded scale

The aftermath of financial crises in the neoliberal age typically follows similar patterns. Publicly owned institutions are opened up for privatization, and the capitalists that take over these assets become very rich, very quickly (Harvey, 2010b, 25, 29). Take for example billionaire Carlos Slim and his takeover of the Mexican telecommunications sector in the 1990's, or the Russian oligarchs who became overnight billionaires after the rapid privatization of the Soviet economy (Harvey, 2010b, 29).

The age of neoliberalism can thus be characterized as one of 'recurrent restructuring through crisis' on an international scale, whereby wealth is continually concentrated and centralized like never before, further contributing to a rising wealth inequality and paving the way for future *crises of realization* (Carroll & Sapinski, 2016; Harman, 2007). In many ways, this can be conceptualized as an exaggerated version of Marx's *concentration and centralization* of capital. Mirroring the aggressive *expanded reproduction* pursued by neoliberalism – i.e. the quest to maintain *compound growth* through the *hyper-financialization* of the world economy – this represents *accumulation by expropriation on an expanded scale*.

The main feature of *accumulation by expropriation on an expanded scale* is that it is centred on state intervention (Jessop, 2006). This is theoretically significant because whereas back in section 2.16 we analyzed *accumulation by expropriation* as the act of individual capitalists (in the context of the *crisis of over-accumulation*), state-sponsored *accumulation by expropriation* is unique to the *neoliberal state-corporate nexus*. To recap, the mass-liquidation of assets during crises due to the *destruction of capitals* is related to the demand problem brought on by *overproduction* – i.e. it contributes to the increasing wealth inequality between the classes. To this end, while times of *economic boom* are characterized by the concentration of capital,

crises reflect its centralization in the hands of the few (Harvey, 1982, 198; LFRP, 1983). To maintain a semblance of profit growth where no profits are to be made, capital is re-appropriated by capitalists from workers and weaker capitalists by virtue of *accumulation by expropriation* (Marx, 1894/1959, 305). Replace ‘capitalist(s)’ here with ‘capitalist state(s)’, and that is what is meant by *accumulation by expropriation on an expanded scale*.

At the global level, *accumulation by expropriation on an extended scale* ramped up when capital controls became hard to enforce once Bretton Woods broke down during the Nixon era in the U.S (Chomsky, 1999; Helleiner, 1994). While the radical restructuring of global finance after the crisis of 1973 in wake of the rise of neoliberalism began as a way to crush the *profit-squeeze* of the 1960’s, it also represented “a series of gambles on the part of the U.S. to try to maintain its hegemonic position in the world economic affairs against Europe, Japan, and later South East Asia” (Harvey, 2004, 70). At the helm of this mission was the so-called ‘Washington Consensus’, a powerful alliance between Wall Street banks and the U.S. government (the U.S. Treasury Department), which had considerable control over global financial institutions like the I.M.F. and the World Bank. Since then, this financial regime has been used to bully weaker, less developed nations through manipulations of credit and nefarious debt management practices in order to expropriate their assets (Harvey, 2014, 70). As Harvey (2004) writes, this “monetary and financial regime was used [...] by successive US administrations as a formidable instrument of economic statecraft to drive forward both the globalization process and the associated neo-liberal domestic transformations” (70). Yet as economic threats from Germany and Japan magnified, so did the Washington Consensus resort to new and increasingly ‘aggressive’ international and financial institutional agreements to maintain its hegemony (77). As a result, this regime has been exceptionally willing to cannibalize crises through *accumulation by expropriation on an*

expanded scale (Harvey, 2004, 70). It works in unison with the neoliberal push for *financialization*, which in turn has made the *neoliberal state-corporate nexus* much more volatile and predatory, meaning opportunities to engage in expropriation are more plentiful than ever. As Harvey (2004) puts it, an “unholy alliance between state powers and the predatory aspects of finance capital forms the cutting edge of a ‘vulture capitalism’ dedicated to the appropriation and devaluation of assets, rather than to building them up through productive investments” (72). Consistent with a structural-Marxist interpretation of the state, this presupposes that there is a loose but permanent coalition between capitalist governments and other pro-capital agents.

The first real test of the Washington Consensus’ strength came when the credit solution to *TPRF* started running into serious problems after interest rates were increased significantly in the late 1970’s (Harvey, 2010b, 19). By that time, more than 40 countries were struggling to service their credit-induced debts, such as for example Mexico’s 1982 threat to Wall Street that the country would declare bankruptcy (Harvey, 2010b, 19). In response, the major players in global finance, under the leadership of Wall Street, took to empowering international financial institutions like the World Bank, I.M.F., and World Trade Organization (W.T.O.), which up to that point had been restricted under the *laissez-faire* principle of non-intervention, as debt collectors. These institutions were deputized to pursue states that refused to pay back the banks, and were given access to a wide range of tools to do so. As we will see in the Greek scenario, the I.M.F.’s ‘structural adjustment programme’ is one such tool, used to impose austerity on the debtor nation in order to extract what is owed (Harvey, 2010b, 19). The Washington consensus could do this because of the hegemony exercised through the global financial sector, which, with the help of *neoliberal state-corporate nexus*, has successfully hooked most capitalist nations of the world into a structured framework of financial and governmental institutions (take, for

example, the collaborations of banks between G7 nations) (Harvey, 2007, 72). And if the ‘power of the market’ was not sufficient to deal with rogue nations that resist neoliberal policy, then the *neoliberal state-corporate nexus* used political power, and in some cases even military power, to straighten them out. Overall this has had deep impacts on the dynamics of capital accumulation, re-centering economic and political power in the U.S. and the other ‘core capitalist’ countries, which, as we will later see in the Greek scenario, have come to include parts of the European Union in the 21st century (Harvey, 2004, 72).

Other examples of *accumulation by expropriation on an expanded scale* on the part of the *neoliberal state-corporate nexus* are plentiful. The Washington consensus created a liquidity crisis in South East Asia in order to let multination corporations force profitable local businesses into bankruptcy. These were then purchased for next to nothing, engineering what Harvey (2004) calls “the biggest peacetime transfer of assets from domestic (i.e. South East Asian) to foreign (i.e. US, Japanese and European) owners in the past fifty years anywhere in the world” (75). In the late 1990’s, the ‘dot.com’ bubble enabled Wall Street hedge funds, armed with billions in leveraged dollars of the fictitious kind, to force Indonesia and even the advanced capitalist nation of South Korea into bankruptcy, regardless of the strength of their internal economies (Harvey, 2004, 75). Debt-crises in particular have been used by the Washington consensus to “reorganize internal social *relations of production* in each country on a case-by-case basis in such a way as to favour the penetration of external capitals” (Harvey, 2004, 78). In this respect, as Harvey adds, “domestic financial regimes, domestic product markets and thriving domestic firms were, in this way, prized open for takeover by American, Japanese or European companies” (78). Capitalists’ recognized that low profitability in global capitalism’s core regions could be supplemented by taking a cut of profits from abroad (78).

From a theoretical perspective, and for the purposes of this thesis, accumulation *by expropriation on an expanded scale* is significant for two reasons. First, it validates Marx's point from the previous chapter regarding crises in capitalism being irresolvable contradictions of capital accumulation. Marx warned that as *compound growth* became harder to materialize, capitalism's methods to keep it going would become equally aggressive, and this is precisely what *accumulation by expropriation on an expanded scale* portrays. Cannibalistic and predatory practices have always been *structural features* of the capitalist mode of production, but the rise of the global finance sector has magnified them immensely (Harvey, 2004, 75).

Second, neoliberalism's search for new methods of accumulation may be a sign that Marx was correct when he pointed out that crises are necessary features of the reproduction of the economic base of production. We know that the *destruction of capitals* in particular is an essential part of the process of dealing with the *crisis of realization* and the *profit-squeeze*, setting the groundwork for a new period of profitability; it is in fact through the aftermath of crises that *TPRF* is stalled or reversed. Ultimately the amount of capitals, especially of the labour kind, that have been destroyed at the hands of neoliberalism over the last few decades shows how global capitalism has tried to escape, with varying success, the irresolvable contradictions of capital accumulation. Yet if the financial crises we have seen recently are of any indication, the sort of imperialism demonstrated by the *neoliberal state-corporate nexus* is not sustainable in the long-run. Looking at the recovery of the regions targeted by the U.S. for devaluation, Harvey (2004) contends that the problem of *over-accumulation*, and the question of which capitals to destroy and devour to off-set it, will be increasingly at the forefront of capital's difficulties in maintaining *expanded reproduction* (79). As the globe is becoming increasingly commoditized and there are fewer and fewer new markets for neoliberalism to exploit and absorb the problems

of *TPRF*, one question remains: who will be left to bear the brunt of devaluation in the end? (Harvey, 2004, 79).

Section 3.13: The Crisis Today

The common consensus is that the 2008 financial crisis was triggered somewhere in the U.S. housing market, which is hardly surprising given the history of the volatility of its real-estate sector in wake of neoliberalism's credit solution (Elmeskov, 2009, 6). For the first half of 2007, it was quite apparent to many that the sale of securities linked to subprime mortgages had begun to negatively affect their value (Giacche, 2011, 26). By mid-2007, the wave of foreclosures hit middle-income households (Harvey, 2010b, 1). Later that year, almost 2 million people lost their homes and 4 million were in danger of doing so, setting off a chain reaction that depreciated the value of houses even further (Harvey, 2010b, 1). The housing market crash, in turn, brought down the banking sector (Roberts, 2012). As a result, by the fall of 2008 the so-called 'subprime mortgage crisis' hit the U.S. financial sector in full swing, causing mass bankruptcies along Wall Street (Harvey, 2010b, 1). When the few banks that held an oligarchy over the financial sector got in trouble, capital circulation virtually froze (Harvey, 2010b, 29). This time, extending credit to boost demand enough to compensate for saturation of sellers did not work as intended, as there was already too much *fictitious capital* in circulation to begin with (Giacche, 2011, 28). Stocks plunged, and mass hysteria spread like wildfire across the nation (Harvey, 2010b, 4). By the end of 2008, the U.S. economy effectively imploded. The construction of houses ceased wholly while consumer confidence waned, demand shrank even further, unemployment soared to a record 17%, and manufacturing plants closed; at this time almost one third of the *fixed-capital* in the U.S. economy stood idle (Harvey, 2010b, 4). The

problem, as some put it, was one concerning “serious excess supply” – i.e. too many sellers on the market and not enough buyers (Giacche, 2011, 28). The reality, however, was that this was simply a symptom of the crisis, not the cause.

Given the interconnectedness of the global financial sector after years of U.S. neoliberal hegemony, it did not take long for the rest of the world to be dragged into the U.S. crisis, with global credit markets and lending worldwide shortly coming to a halt (Harvey, 2010b, 1). International trade fell by a third, with producers of raw materials being hit hardest (Harvey, 2010b, 4). By 2009, the I.M.F. estimated that \$50 trillion in assets had been destroyed; the World Bank proclaimed this the first year of negative growth since World War II (Harvey, 2010b, 4). This led to immediate losses among various financial agents, with banks hardening their lending attitudes (Elmeskov, 2009, 6). Major holders of mortgage debt were instantly devastated. Furthermore, everyone from small regional European banks to municipal governments (from Florida to Norway) found themselves with useless pieces of paper after being lured into investing in the ‘safe’ American bond market (Harvey, 2010b, 4). Harsh lending conditions, heavy asset losses, increasing unemployment, and general uncertainty in the future of the market led consumers in OECD countries to cut back on consumption, further exacerbating the demand problem (Elmeskov, 2009, 6; OECD, 2015). New players in the global financial market were instantly obliterated. Iceland for example, a newcomer to the speculation market, lost most of its assets in a just a few weeks (Harvey, 2010b, 36). Predictably, other major countries which had not fully integrated themselves in the international finance network (e.g. India, China) were much better protected when the crisis hit (Harvey, 2010b, 36).

As economists from the OECD point out, “nearly ten years after its outburst, the 2008-09 crisis still weighs heavily on many advanced economies; profit growth remains disappointingly

weak and uncertain; employment rates, private investment rates and productivity growth rate are still below pre-crisis levels in many countries while debt is much higher” (Caldera-Sanchez et al., 2016, 8). Even after some nations left the recession, unemployment has settled back at far higher rates than prior to 2007, and it seems most of the debt incurred during the crisis simply cannot ever be repaid and must be written off at a loss for lenders (El-Erian, 2009). As Giacche (2011) points out, “many financial assets [prior to the crisis] were purchased with debt, which one hoped to repay with the gains made in the price of those assets, as had been done previously” (28). Excessive public debt was compounded by the fact that the state had to bail out the banking sector (Harvey, 2010b, 4; Roberts, 2012). To top it all off, these were essentially tax-payer bailouts for the banks who, in turn, did not even lend back to the average worker, instead using it to buy up other banks and monopolize in wake of the crisis (i.e. *accumulation by expropriation on an expanded scale*) (Harvey, 2010b, 29).

A structural-Marxist model allows us to view the Great Recession through a sort of ‘iceberg’ theory, where the recent crisis is only the tip of a much larger problem related to the predisposition of capital accumulation typical of the neoliberal age. To this end, we must view the U.S. subprime mortgage crisis which led to the collapse of the global finance sector as the symptom of capitalism’s decades’ old fight against *TPRF*. On close inspection, we can see that the slowdown to the recent crisis started years before it hit. If we examine the *boom* preceding the crash, several things become apparent. First, as is typical of late in the *boom*, finance capitalists were acting as if profits were going to rise forever, and everyone had to pay a price for their greed (Harvey, 2010b, 1). U.S. financial institutions in particular had done an excellent job in exporting the illusion that the value of the housing markets would endlessly increase (Harvey, 2010b, 25). The low interest-rate environment caused real house prices to shoot up in the U.S.

(as well as most OECD countries) (Elmeskov, 2009, 2; OECD, 2017). If we look at housing prices as well as the number of mortgages contracted by American households, both doubled from 2000 to 2005 (Giacche, 2011, 26). When finally faced with the reality that they could not hope to afford the cars and houses that banks promised them (as well as the increasing interest rates), those same low-income families that were used to fuel the credit solution to *TPRF* defaulted as expected (Elmeskov, 2009, 6). As early as 2006 the rate of foreclosures in low-income areas in cities like Detroit and Cleveland increased dramatically, but no one took much notice as mostly low-income households comprised of single women, minorities, and immigrants were hit (Harvey, 2010b, 1). This means that from a mechanical standpoint, the Great Recession was not any different from many of the other financial crises that have plagued neoliberalism since its inception. A common theme here is that they all seem to start somewhere in the housing markets, where we find *fictitious capital* in the form of mortgage credits. As Harvey (2004) writes, the “most important prop to the US and British economies after the onset of general recession in all other sectors from mid-2001 onwards has been the continued speculative vigour in property markets” (65).

In this chapter, I have juxtaposed the theoretical concepts presented in chapter two to the historical evolution of crises in capitalism. Using the U.S. as a model of standardization, I have applied the tenets of *HM* to analyze the relationship between crises in capitalism and the oscillation between dominant bourgeois theories on production. By starting with the Great Depression of the 1930’s and analyzing it as a *crisis of over-accumulation* in accordance to the *boom* and *bust* cycles detailed in the previous chapter, it was possible to validate many of Marx’s arguments regarding what occurs during crises. For example, we were able to precisely track the *overproduction* of capitals in the Great Depression first to the agricultural sector and later to the

financial sector (Bryan, 2012). As we know from the chapter two, the behaviour of banks and the financial sector late in the *boom*, where over-lending is endemic and there are loose restrictions on loans (paving the way for a mass of sudden defaults during the bust), was already well-detailed by Marx (1932/1968). Furthermore, the *destruction of capitals* that followed mirrors the chain of events Marx (1885/1956) reasoned would occur in wake of the *accumulation by expropriation* of assets that usually follows economic crises in capitalist social formations. We then looked at the golden age of capitalism, where World War II permitted large amounts of idle capitals to be repurposed and made profitable, leading to a new *boom* cycle. This also led to the rise of a new bourgeois theory on production, namely Keynesianism, which sought to reign in capitalism's crisis prone structural tendencies by controlling the market through the state (Clarke, 1990; Fletcher, 1989). Due to the unchangeable nature of the structural features of capitalist production, the Keynesians were unable to reign-in the contradictions of capital accumulation and ultimately fell prey to the *profit-squeeze* and demand problem led on by *TPRF*. As a result, in the wake of the Keynesians, neoliberalism was born (Jessop, 2012). Part throw-back to the *laissez-faire* economics of Smith and Ricardo, part apparatus of globalization meant to subjugate all corners of the globe under the mantra that is capital, this form of capitalism has become the dominant mode of production in the early 21st century (Sayer, 2015). Yet this was not always so. Neoliberalism thought it had conquered *TPRF* in the 1970's/80's by destroying the political power of labour (Harvey, 2010b). It was not long until *TPRF* and the *rising organic composition of capital* caught up with the imperative of *productivism*, and neoliberalism resorted to credit to solve the demand problem. This proved to be only a short-term solution, and in the end *TPRF* once again caught up with *expanded reproduction* around 2007-08 when the global financial crisis hit. By detailing the events of the Great Recession as they unfolded starting from

the U.S. subprime mortgage crisis to the crash of global financial sector, I hoped to show that it followed the same pattern as the Great Depression, as well as Marx's schematic overall, albeit on a larger scale (Keeley, 2015).

These developments are significant because we know from the previous chapter that as a capitalist social formation ages, it will find it increasingly difficult to reproduce its *economic structure* at an expanded scale. This difficulty will manifest itself as periodic *crises of over-accumulation*, whereby capitals, fictitious or otherwise, are overproduced during boom periods and become stuck at different points in circulation, freezing the accumulation of profits and causing *negative reproduction*. As each crisis passes the resulting *accumulation by expropriation* keeps concentrating wealth and increases wealth inequality, accentuating the demand problem brought on by *TPRF*. This means that, ultimately, we can trace the fundamental reason for the severity of the recent crisis to the way in which the neoliberal age has built up a huge amount of debt and *fictitious capitals* (Roberts, 2015). This, in turn, was caused by the expansion of credit to cover for the demand problem of the 1970's/80's (Payne, 2012). In the structural-Marxist terms detailed in the previous chapter, the credit expansion was effectively the *boom* preceding the *bust* in the neoliberal *business cycle*. And yet the credit solution was only needed at all because neoliberalism's imperative to crush labour and raise the *organic composition of capital* created unprecedented imbalances in the realm of wealth inequality, causing a *crisis of realization*. That beast, in turn, was only averted up until that point thanks to the efforts of the Keynesians, which came at the cost of a *profit-squeeze* which kick started the bourgeois oscillation to neoliberal theory (Harvey, 2010a). But the Keynesians only ever came to power because the Great Depression apparently had convinced everyone bankers should not be trusted to reign freely over the economy (Harvey, 2010b; Sayer, 2015). In the end, this is how we come

full circle to the notion that crises in capitalism and the contradictions that cause them cannot ever be resolved, but only delayed or moved around geographically, and at great cost (Harvey, 2010a; Harvey, 2014).

These developments are to be taken as significant as we move forward into the final chapters of this thesis for a variety of reasons. So far, I have answered the first of the questions posed by my research in the introduction, and that is whether *accumulation by expropriation* is a definitive symptom of crises in capitalism. Yet the secondary question remains, and that is to what extent is anything unique about the 2007-08 crisis, and what does that tell us about the way in which modern capitalism is unique but still ‘the same’ as the capitalism of old. To this end I argue that by analyzing the sovereign-debt crisis in Greece, the hardest hit advanced capitalist nation in the world by the 2007-8 crisis, we may yet find an answer to this question. Once we take a closer look at the Greek recession as a case study in the next chapter, it is possible to speculate that while the mechanics of the *bust* are the same as always, there is something unprecedented about in which *accumulation by expropriation on an expanded scale* has been carried out and the way in which capitalism’s traditional *counter-acting measures* have failed. The Greek scenario will offer us a glimpse of happens when there are no more new markets to open and no new reserve armies of labour to exploit in order to deal with *over-accumulation*.

I have already mentioned that I use Harvey’s work to expand on incomplete or partial conceptualizations in Marx’s original work. It should now be noted that in the next chapter I use Harvey’s (2010a; 2014) ‘spatio-temporal fix’ concept to further develop theoretical application of Marx’s *counter-acting measures* so that the model can be applied to the case-study level. There, we will observe that the unabated drive for *productivism* endemic to the neoliberal age has chiefly attributed to the failure of the *spatio-temporal fixes* in the Greek scenario. The

sovereign-debt crisis in Greece ultimately serves as an example of how global capitalism has created another crisis for itself, has failed to displace it through *counter-acting measures* like the *spatio-temporal fix* as it has done in times past, and then resorted to cutting its losses by cannibalizing itself in an unprecedented way. This means that *productivism* is causing capitalism's *counter-acting measures*, and by extension *spatio-temporal fixes*, to fail. By the end of this thesis it should be apparent that the fault of the sovereign-debt crisis in Greece lies not with the Greek government or its people but is the result of the predisposition of capital accumulation typical of neoliberal policymaking (i.e. the type that gave birth to bourgeois machinations such as the Eurozone).

CHAPTER FOUR: THE MODERN GREEK TRAGEDY – AN ANALYSIS OF THE SOVEREIGN-DEBT CRISIS IN GREECE

Section 4.1: An introduction to the Greek sovereign-debt crisis

From a theoretical perspective, the Greek sovereign-debt crisis represents a culmination of events relevant to the structural-Marxist interpretation of the evolution of crises in capitalism I propose. In other words, it flows directly from the timeline of events detailed earlier in chapter three of this thesis. More specifically, in structural-Marxist terms the Great Recession originated as a crisis (of *over-accumulation*) of *fictitious capital* in the U.S. financial sector which eventually engulfed the rest of the world due to neoliberalism's obsession with global *financialization*. Now it is time to address the following question: what exactly makes the Great Recession unprecedented from a structural-Marxist standpoint, considering that I have already established that crises have been increasing in severity and frequency in previous chapter? What is the relationship, if any, between the recent crisis and neoliberalism's increasingly desperate attempts to circumvent the *barriers to capital accumulation*? To this end, I analyze the bailouts the Greek government has received from the international institutions responsible for managing the crisis.

In the context of a structural-Marxist model on crises then, this case study should be viewed as an example of what a viable application of the proposed theoretical model to a specific event (i.e. at the micro-level) would look like. The analysis of Greek scenario satisfies two main objectives. First, it is meant to determine whether: a) the reason for the severity and longevity of the Greek sovereign-debt crisis can be explained as an unprecedented failure of capitalism's traditional *counter-acting measures* against localized crises of *over-accumulation* (as the structural-Marxist theory on crises I advocate hypothesizes would occur the longer capital circulation remains obstructed), and if so how/why has this occurred; and b) if true, whether such

an unprecedented failure of the counter-acting measures has caused *accumulation by expropriation on an expanded scale* in an unprecedented way – evidenced by the fact that an economic collapse of this magnitude accompanied by such extreme levels of *concentration and centralization* of wealth has never occurred in an advanced capitalist nation so embedded within the bourgeois project to free capital from its material limits (i.e. the neoliberal invention known as the Eurozone). This should shed light on my structural-Marxist hypothesis that when there is nothing left to commodify, no new markets to open, and no more reserves of labour to exploit, capitalists will turn on their own and capitalism will begin to cannibalize itself.

To address these inquiries, I first conduct a review of available literature on the crisis from official sources (e.g. Eurostat, OECD, European Commission), several think tanks, as well as mass-media sources to construct a time-line of relevant economic and political events enveloping the Greek crisis and its subsequent recession starting from 2009, when the nation first declared a crisis, to the present⁴⁹. I then take to conducting a different review of available opinions, or ‘narratives’ as they will be known henceforth, surrounding the crisis from a range of opinions. These narratives are to be defined within the context of this case study as arguments revolving around the severity and longevity of the Greek recession, specifically whether E.U. intervention was helpful and who is ultimately to blame. From this I categorize two general types of narrative sources: i) the mainstream narrative – the most popular stories circulating in the Western press, interpreted here as most likely to influence, and thus reflect some popular opinion on the matter among the general non-Greek public, as well as the explanation pushed by the E.U. officials and international institutions responsible for handling the Greek sovereign-debt crisis; and ii) what I deem the counter-narrative – i.e. pockets of economists, political scientists, think

⁴⁹ Note that a description of the specific sources consulted as well as which documents were collected is provided in a later section.

tanks, etc., which, although no less bourgeois in their intentions (i.e. non-Marxists), opposed the mainstream narrative for various reasons. I then take to refuting these narratives using the structural-Marxist model developed in earlier chapters, arguing that both the mainstream narrative and the counter-narrative are bourgeois creations overly-obsessed with debating the insignificant, stuck in the very same epistemological trap identified by Althusser. I then further argue that these bourgeois ideologies have always been locked in an eternal duel for the very soul of capitalism, and so none of the solutions to the Greek crisis they propose can possibly hope to reconcile the contradiction between capital accumulation and *productivism*, which is the actual cause of crises.

Using the same data collected from the literature review, I then present my own interpretation of the events in the Greece scenario it stems from the theoretical framework presented in chapter two of this thesis (as to satisfy the first objective of this case study). To this end, it should be noted that this analysis will rely heavily on Harvey's (2010b) *spatio-temporal fix* concept, the argument being that this is a theoretical extension of Marx's crisis *counter-acting* measures mechanism. As we will later observe, Harvey's work on this matter is vital for the application of the structural-Marxist model I propose to a localized event like this because, as mentioned previously, many of Marx's concepts, his characterization of capitalism's *counter-acting measures* included, are too abstract to be applied empirically in their original form.

The second part of this analysis will focus on the second objective this case study attempts to pursue: examining the extent to which *accumulation by expropriation on an expanded scale* has occurred during the Greek crisis and explaining why this is important. The analysis will show that by using a structural-Marxist model it is possible to interpret the Greek bailouts by the international institutions responsible as a calculated attack to profit off the back

every day Greeks in order to: a) privatize what were traditionally heavily protected public sectors of the Greek economy so that they may be expropriated by multinational corporations, which then were free to increase costs as they saw fit for profit gains; and b) funnel money to the core capitalist nations of the Eurozone so that they weather the crisis unscathed while nations like Greece were forced to handle the burden. Keeping in mind that the Eurozone, a symbol of European capitalism, is a bourgeois creation from the neoliberal age of rapid financialization, is it then fair to ask whether this new capitalism is cannibalizing itself in pursuit of a productivism that is unattainable on this material plain?

Section 4.2: A brief time-line of events

As part of the European Union (E.U.), the Eurozone, and the O.E.C.D., Greece was the hardest hit developed capitalist nation in the world by the recent recession, evidenced by the fact that, as of 2018, it is now entering its tenth consecutive year of recession (Becatoros & Casert, 2015; Reichetseder, 2014; Xafa, 2018). During these years, the nation has effectively disintegrated at all levels, regressing socially, politically, as well as economically, and the effects on its population have been severe (IMF, 2016b). The job market experienced a catastrophic collapse; millions of jobs were destroyed in addition to massive reductions in paid wages to those that survived. At one point nearly 50% of the under-25 demographic was unemployed, all the while pensions for seniors were cut, the retirement age increased, and the welfare system all but dismantled. For years, cash withdrawals from banks were limited to as little as 60 euros a day and barter-based black markets reigned supreme as an alternative for necessities (Mason, 2015; White, 2010). The public healthcare sector effectively crumbled as countless clinics and hospitals closed, while others became severely understaffed and began missing vital medicine; so

much so that at one point over a third of the population no longer had access to medical services (Reichetseder, 2014). The sudden inability of large numbers of people to obtain the capital required for their bills, loans, mortgages, and other financial commitments resulted in an explosion of homelessness (White, 2010). Even some of those lucky enough to keep their homes were forced to live without basic utilities like water, electricity, or heating. The situation was so dire that by 2014, almost half of all Greeks were deemed to be living below the E.U. poverty line (Olivet & Eberhardt, 2014). At that time, the suicide rate was almost at 100 per month, the highest rate in Europe by far, with the average life expectancy falling by 3 years nationally as a result (Reichetseder, 2014). The Greek government's only solution to these ailments has been increasing levels of austerity meant to curb spending, but these efforts have proven incredibly unpopular with the public (Xafa, 2018). As a result, today the anti-austerity movement seems more violent revolution than protest. It has evolved to possess an almost militant character reminiscent of how Marx envisioned his proletariat revolt, where once peaceful demonstrations are morphing into calculated clashes with law enforcement (Hope, 2011). It appears that the Greek people, long exhibiting feelings of abandonment towards their government and the international community, are reaching their limit. They desperately ask the rest of the world why they must shoulder the heavy cost for a crisis they feel they had no hand in creating and wonder why their plea for a democratic solution, one that includes their consent, keeps falling on deaf ears (Xafa, 2018).

The starting point for this analysis is the way the nation has been bailed out of its debt since 2010 through three sets of loan packages, officially known as the "Economic Adjustment Programmes", from Europe's so-called 'lenders of last resort': the European Committee (E.C.), the European Central Bank (E.C.B.), and I.M.F (IMF, 2014; IMF, 2016a; IMF, 2016b). Dubbed

the ‘European Troika’, this network of inter-governmental organizations has imposed severe conditions on Greece’s borrowing, demanding extreme cuts in government spending and mass-privatization of public assets (IMF, 2016b). Greece joined the European Communities, the precursor to the European Union (E.U.) back in 1981, ushering a period of sustained growth in part due to a healthy tourism sector (World Bank, 2018). In 2001 the country joined the Eurozone, the more prestigious monetary alliance between E.U. members, giving up its own currency and adopting the Euro, and in doing so also gave up the power to manipulate its currency to the European Central Bank, an intergovernmental branch of the E.U. (World Bank, 2018). After the Great Recession hit Europe in 2009, Greece’s credit rating was the first to be severely downgraded by the big three credit rating agencies⁵⁰ to the equivalent of a developing nation, scaring off private investors and causing a chain reaction that deeply exacerbated the sovereign-debt crisis (Seager, 2009). In sudden panic, the Greek government immediately rolled out the first of what were to be over a dozen austerity packages meant to cut spending and reign in debt (Seager, 2009). These policies targeted government wages, slashed bonuses as well as overtime pay, and increased taxes (IMF, 2010). Proving insufficient, by the April of 2010 the Prime Minister of Greece at the time, George Papandreou, formally requested an international bailout for Greece (Kitsantonis & Saltmarsh, 2010). All further austerity packages passed by the Greek government henceforth were meant, in one form or another, to appease the austerity conditions dictated by the Troika in exchange for the loans. The first bailout package was thus negotiated for a total of 110 billion euros over three years (IMF, 2010). The key condition was pension reform, including increasing the retirement age by 5 years for women and cutting pensions (Landon & Kitsantonis, 2013). A second condition was a cap on monthly wages in

⁵⁰ These being Fitch, Standard and Poor’s, and Moody’s (Seager, 2009)

state-owned companies and a 10% cut in salaries above 1800 euros (IMF, 2010). By 2011, with Greece's credit rating further downgraded to junk status and the Athens stock exchange at its lowest point in over a decade, it was decided by all parties involved that the first bailout was not enough and that more was needed (Winfrey, 2013; World Bank, 2018). A second bailout package was negotiated in 2012, bringing the total amount of Troika bailout to 246 billion euros, to be given to Greece gradually until 2016 (The Economist, 2014). The conditions centred mainly on devaluating government bonds and introducing even more unpopular austerity packages to cut welfare, wages, and further privatize the once-protected Greek public industries (EC, 2012).

Fast-forward to 2015 and still nothing had changed. Growth in the economy was still negative, unemployment high, the debt crisis in full swing (Xafa, 2018). As a result, negotiations for a third bailout began amidst a public referendum on whether Greeks should accept more austerity in exchange for Troika bailouts (Lowen, 2015). Despite a resounding 68% no vote (among all Greek provinces), the government accepted the package regardless in July of 2015 (Lowen, 2015). Greece was to receive an additional 86 billion euros, to be handed gradually until 2018 (EC, 2017). In return, the Greek government was expected to broaden the tax base, reform welfare, cut even more public spending, reform the justice system to accelerate judicial processes and cut costs, bailout the Greek banks that went under, and privatize 50 billion euros worth of state assets (EC, 2017). By 2016, Greece had successfully implemented thirteen different austerity packages (EC, 2017).

Today, Greece's third bailout is still ongoing, with levels of growth for the year 2017 still considered 'disappointing' (Xafa, 2018). Some are now hinting that a fourth bailout is on the table (Kitromilides, 2016). Under the Troika loan agreements, Greece is under strict surveillance

to ensure that it sticks with the welfare reforms and privatization schemes until it pays back at least 75% of the debt it owes, and there is currently a review is under way to assess whether banks were fully bailed out (Xafa, 2018). As Xafa (2018) writes, the I.M.F. is also assessing whether “a cut in the tax-free income threshold, scheduled for 2020 to broaden the tax base, should be brought forward and implemented simultaneously with a further cut in pensions in 2019, to ensure that the primary surplus target of 3.5 percent of GDP is achieved with permanent measures” (2). A further review will be done in July of 2018 to assess whether Greece has kept with the privatization conditionality, specifically “privatizing 40 percent of the Public Power Corporation’s lignite-fired generation capacity — an action strongly opposed by the company’s powerful union” (Xafa, 2018, 2). It is widely believed that the current prime minister of Greece, Alexis Tsipras, may call elections early before the third bailout ends the end of 2018 as to hide the politically painful cuts in pensions and wages he expects to have to make (Xafa, 2018).

In the end it is undeniable that for almost a decade straight the Greek government has readily given into the Troika demands despite heavy public criticism and it does not have much to show for it. The resulting cuts have affected virtually all sectors of society, severely dropping GDP per capita and stunting economic growth (Gogstad et al., 2014; IMF, 2016b). These conditions continue to decrease the standard of living for everyday Greeks, who are constantly forced to deal with sudden depreciations in wages in conjunction with price hikes on essential goods. And yet despite social unrest not seen in the nation for half a century, the resignations of countless politicians, and an economy which, although supposedly infused with billions of euros, is still experiencing negative growth, the Greek government is continuously strong-armed by the Troika into negotiations over more austerity and privatization (IMF, 2016b; IMF, 2017; Xafa, 2018). It appears that yet again, for an eighth consecutive year, the Greeks are bound to get more

of the same policy (Edwards, 2016; Olster & Gatopoulos, 2013; Rendon, 2016; Xafa, 2018). The question that remains, then, is why is ‘more of the same’ being implemented in the face of inadequacy? We will later observe that a satisfactory answer to this question can be obtained by interrogating the mechanics of debt-interest behind the Troika bailouts using a structural-Marxist model. Taking this path will reveal a more sinister narrative at hand; one immersed in the empowerment of finance capital and the pursuit of profit through anti-democratic behaviour (Harvey, 2010b). Nonetheless before we delve into such an analysis, it is important that we first look at how mainstream narratives answer the question of who is to blame for the longevity and severity of the Greek sovereign-debt crisis as to provide a foil for the proposed model to contrast.

Section 4.3: A review of mainstream and counter narratives

The following is a qualitative examination of a variety of opinions surrounding Troika intervention in the Greek sovereign-debt crisis. Over 35 sources were sampled, ranging from the years 2009 to 2018, and were categorized into two different camps. The first of these categories forms the ‘mainstream narrative’. The objective of this specific categorization is twofold. First, this sample is meant to give us an indication of where the non-Greek public stands on Troika intervention based on the most common explanations portrayed in the news media. For this task 15 sources from English-language based press sources, either European or North American (but not Greek), were gathered to analyze what the closest thing to a ‘public’ opinion one on the matter one can find. All were sampled based on their popularity rank on the index of the Google search engine under news section by inputting the keywords “Greece crisis fault” (where the most popular were taken). Second, this narrative is also meant to embody the explanation for the crisis as it comes from official channels – i.e. this is the Troika account. Here, I compiled the

arguments drawn from a sample of 10 sources from the official websites of the I.M.F., European Bank, and European Commission, and found that they revealed similar, yet obviously much more elaborated and succinct arguments to those found in the mainstream press (most likely because the news sources themselves are influenced by the official Troika narrative).

For the second category, an additional 10 opinions are sampled from various think tanks and other agents to provide the ‘counter-narrative’, these being the most common explanations that run counter to the Troika arguments. Note that this is not to say that any of these are Marxist interpretations or any such ‘radical’ viewpoints, but rather other bourgeois explanations for the failure of the Troika bailouts meant to explore splintering factions within dominant bourgeois theory. The counter-narrative seems at first glance more difficult to establish given that there are obviously a wide range of opinions on Troika intervention into the Greek economy. Fortunately, these are easily categorized because they all mostly come from the place that is known as the ‘bourgeois left’; these are the ‘Neo-Keynesians’, ‘Post-Keynesians’ and other such splinter factions who disagree with the neoliberal imperative (although that are not necessarily any less pro-capitalist). A common characteristic among the sources that make up the counter-narrative is that they that they are considered fringe figures in economics by the neoliberal elite.

Of the 15 sources sampled to gauge the mainstream narrative as it appears in media sources, a total of 13 blame the Greeks for the failure of Troika intervention, while only 2 blame the Troika/EU officials (with none being neutral). As it is, most of the negative stories circulating in the media paint a rather sorry picture of the Greek government, where tax evasion at the highest level is not only endemic but encouraged, the public sector is highly inefficient, and cronyism runs rampant (Kitromilides, 2016). Here, we are told the Greek government was too ‘sluggish’ in adopting suggested reforms and were spending well beyond their means, and so

their punishment is well-deserved (White, 2010). For example, the New York Times reported that Troika intervention failed because the Greek government was borrowing out of line for years to cover its hidden debts (NYT, 2016). CNN similarly reported that “The euro seemed at first a shining star [for Greece], a common currency that would ensure prosperity on par with the rest of Europe”, but that Greece ultimately got greedy and “cooked its books” (Melvin, 2015). Forbes stated that “the Greeks were architects of their own dilemma” (Keen, 2015). The Washington Post said that “[Greece’s] public sector is bloated and marred by corruption” (Swanson, 2015). Vox called Greece a “weak state with a failing economy that is, ultimately, dependent on the goodwill of the rest of the eurozone” (Klein, 2015). The Independent said that “If the Greek government debt is not worth at face value, it is hard to see quite how the country can remain in the eurozone” (Independent, 2017). BBC stated that in Greece, “corruption and political favours are commonplace” (BBC, 2015). Online newspaper The Conversation similarly reported that “[Greek] government [needs to] take responsibility for its bloated public sector” (The Conversation, 2017).

The general argument found in most of these samples is as follows: a benevolent Troika rescued the Greeks while their government, in turn, pledged to fix their economy but came up empty-handed. They promised to fire obsolete government employees, liberalize laws on everything from transport to the public-school system, cut pensions, and “return” public sphere industries back in to the free market “where they belong” (Cambanis, 2014). But the Greeks did no such thing, at least to the desired effect, because they were all empty promises from the start. Daily life has not changed from the ‘cheating, bribes, and tax evasion’ prevalent in all aspects of Greek culture (Xafa, 2018). We are told that even at the very top anti-corruption officials take

bribes, while at the bottom freelance workers and shop owners frequently hide their incomes from government officials (Cambanis, 2014).

To establish the official Troika explanation for the longevity of the Greek crisis, a total of 10 sources were from official channels (I.M.F., E.C., E.C.B.). Being that it comes only from official channels, the mainstream Troika narrative is, unsurprisingly, a bit more unified than the arguments found in the press. At first, the official response to the charge that intervention into the Greek economy did not produce the desired results was vague and inconsistent, ranging from partial admittance of wrong-doing to outright denial of responsibility (EC, 2014; IMF, 2014). At best, there was talk of “erroneous assessments” when it came down to Greek debt sustainability (EC, 2014; IMF, 2016a; Olster & Gatopoulos, 2013). More recently however, the tune seems to change, revealing an argument that is similar to what we find in the news press. It paints the picture of a lying Greek government with a history of excessive borrowing and hiding of its debt (EC, 2015a; 2015b). To this end, Greece was supposedly borrowing way beyond what was allowed by Eurozone policy and was lying about it for years. The debt was finally revealed, the argument goes, when the global 2007-08 crisis hit, and so it makes sense that the severity of the recession is Greek government’s own fault (EC, 2017b; ECB, 2013; IMF, 2014; IMF, 2016b). The Eurozone policies regarding debt sustainability were implemented specifically to promote fiscal responsibility among E.U. nations and stop debt-crises from happening in the first place; excessive deficit spending by a member nation is frowned upon because it causes unsustainable levels of national indebtedness, which in turn undermines the cohesiveness of the union (EC, 2012).

Ultimately, the general argument we find in official narrative is that intervention has failed to produce results because Greece was ‘too far gone’ – i.e. that their elected government

turned a blind eye for decades to brewing tensions until it was too late (ECB, 2013; EC, 2017a). Endemic tax evasion, an overblown public sector and an unsustainable pension system are the difficulties the Troika associated with why the bailouts did not work as intended. Furthermore, even though the conditions were accepted, the way they were implemented was slow and half-hearted (ECB, 2013; EC, 2018). This often-repeated interpretation of the Greek scenario makes it clear that the Troika wants us to believe that the Greek bailouts were acts of generosity and altruism, a demonstration of the how the Eurozone takes care of its own. Its people were saved from bankruptcy by a benevolent Troika, who gave them a second chance to sort out their economic problems. This supposedly explains why the governments of 18 out of the 19 Eurozone nations fully supported the intervention to begin with (EC, 2018; IMF, 2016a).

To establish a counter-narrative that runs against the mainstream troika/press narrative that blames the crisis on Greek corruption, a total of 10 sources were samples from different think tanks or journals. After a brief interrogation of the available literature it became clear that most of the negative sentiment directed at Troika intervention comes from the so-called ‘capitalist left’, which is reminiscent of an interventionist ideology of the Keynesians (Giles, 2008). Neo-Keynesians like Paul Krugman and Joseph Stiglitz denounce the financial fraud and dubious transactions committed by the entities that were supposed to support lending (Katz, 2011). They attribute the crisis to lack of regulation and propose that the problem can only be solved with more rules; if only the state were the exercise stricter supervision, then bankers would be more cautious, and the bad apples will disappear (Krugman, 2012; Stiglitz, 2010). Some go a step further and argue that excessive borrowing in Greece was merely a manifestation of a much greater problem in a ‘malfunctioning monetary union’ that had no mechanism of dealing with crises (Pisani-Ferry, 2013). Post-Keynesians like Gerald Epstein or Philip Arestis

argue that the sort of neoliberal economic liberalization we see in the Troika conditions is to blame. They say it has encouraged the acceleration of questionable financial operations, made the movement of capitals extremely volatile, and promoted market uncertainty (Arestis & Singh, 2010; Epstein, 2009). Most of the accounts comprising the counter-narrative seem to praise the failure of the Troika loans as an indication of the eventual shift towards Keynesian policies that revolve around not privatization and austerity, but rather deficit financing that focuses on welfare and the demand problem (Gill, 2018; Kale, 2018). Some, like Bello (2017), reason that the failure of the Troika has inspired an obsession with Keynes that has “deployed, with some success [...] a strong rationale for tougher regulation of finance and a set of solid prescriptions for doing so” (Bello, 2017, para. 4). Similarly, Blankenship (2012) reasons that a renewed interest in Keynes must be taking hold because “The Great Recession of 2008 resulted in unprecedented levels of state spending” due to a “readjustment” in economic ideology (para. 5).

Section 4.4: A structural-Marxist interpretation of bourgeois ideology oscillation

Regardless of conviction, the structural-Marxist model I propose demands that we should not take these narratives at face-value. As Katz (2011) writes, “explanations [for the crisis] continue to be dominated by a point-counterpoint between neoliberals and Keynesians” (para. 1). One camp blames “audacity of bankers, miscalculation of governments, and irresponsibility of borrowers” while the other blames “black of control, the tolerance of speculation and the absence of financial regulations”, yet none of these deal with the inherent volatility and contradictions of the capitalist mode of production (Katz, 2011, para. 1).

The mainstream narrative is clearly in line with neoliberal economists like Alan Greenspan and Gary Becker, who repeat the same story as if nothing had ever happened. They

stick behind the neoliberal deregulatory schemes enacted over the last decade which have caused an untold number of bubbles of *fictitious capital* but cannot explain why banks must be bailed out by the so-called meddling state (Greenspan, 2013). They consider the financial sector, backbone of neoliberal order, as some sort of self-sufficient system that can weather crises without external aid, but obviously this is far from the truth (Katz, 2011). In this context they believe it was too much of the wrong type of government policy that caused the crisis (Greenspan, 2013). More specifically, it was state policy of cheap credit that caused the U.S. subprime mortgage crisis because it stimulated giving loans to unqualified individuals (this is despite the fact that banks only ever seem to recognize there is a problem after they implode from defaults) (Katz, 2011). There exists no mention of the complicity of international financial institutions like Goldman Sachs, who were the reason the debt could be hidden in the first place (Harvey, 2010b). In the Greek scenario, all blame is placed on the Greek government and its supposedly hidden debt. Yet a bit of digging around reveals that Greece was engaging in borrowing practices that were common within most of the E.U., and it was not the only nation to hide its debt among the crisis struck nations of the Eurozone, although it was clearly the most disciplined for it. Undetected imbalance in Greek borrowing standards were responsible not only for the crisis in Greece but also in countries like Ireland and Spain (which were deemed financially faithful by the Troika) (Kitromilides, 2016). There is no mention of the high interest rates or extreme conditions on the part of the Troika, with some saying that increasing debt-interest while simultaneously imposing austerity is like asking a sick person to run around the block to demonstrate good faith that he or she is deserving of treatment (Mody, 2015, 3). In the end perhaps Katz (2011) puts it best when he says that neoliberals “claim that the warning signs were not heard during the irrational euphoria of the last years, and believe that a timely

withdrawal might have avoided disaster [...] but this truism forgets that the economic collapse was not an arbitrary or avoidable event [but] part of the periodic reorganization governing capitalism” (para. 9).

The counter-narrative, represented by Keynesians like Joseph Stiglitz and Paul Krugman, spells out that these individuals foretold the crisis by warning the world about banking deregulation. How these warning messages were supposed to confront the banking elites or the *neoliberal corporate-state nexus* that supports them without requiring serious criminal penalties for misconduct is unclear. Nonetheless they spearhead some of the same arguments as the neoliberals, for example having no qualms with bailing out the failing banks with taxpayer dollars. Ultimately, they portray the exploitation caused in wake of the recent crisis the personal sins of individual speculators, fully ignoring that capitalism, and especially neoliberalism, encourages the pursuit of *compound growth* even if it takes embezzlement and fraud to get there (Katz, 2011). They forget that, as we know from the previous chapter, deregulation was never a policy of decreased state intervention, but rather a method of reinventing it for the *neoliberal state-corporate nexus*.

A structural-Marxist model dictates that spending too much time and effort to refute each of these narratives individually (and there are quite a number of nuances) is a tedious exercise that misses the point that they all belong in the realm of bourgeois economics, engaged in an endless debate between different factions within the bourgeois elite (e.g. neo-Keynesians versus neoliberals, etc.). These bourgeois elites of all shades and stripes have spent much of their time debating short-term cause and effect economic events which, in retrospect, they believe somehow caused the global financial collapse (as well as the severity of the Greek sovereign-debt crisis). As Bezemer (2010) puts it, they over-stress the importance of assessing crises

through the aggregation of individual events, failing to see something greater than the sum of their parts. This is because debating the micro-causes of crises in this manner is very much reminiscent of the ‘myopia’ of bourgeois economists criticized by Althusser & Balibar (1968/1970), where we miss Marx’s *totality* of analysis. If we apply *HM* as he intended, obsessing over the particular event which precipitates the capitalist crisis is always a futile endeavour. We are sometimes told that such events are far removed from the crisis, seemingly insignificant, while other times we are told they are obvious. The truth is that the events which trigger crises in capitalism are always the tip of the underlying hypothetical iceberg. Behind the so-called precipitating events, behind the failed speculations and credit contractions, is always a crisis of low profitability, of overproduction and of capital realization (Giacche, 2011, 28).

Therefore, I wish to move the discussion beyond examining such simplistic explanations and instead engage the ultimate deflection narrative of all: a sort of obsession with the debate between regulation and de-regulation, between less or more state intervention, which surrounds virtually all aspects of the discourse on Troika packages. While not necessarily a blame narrative as much as one of distraction, this discussion is always trapped in a ‘theoretical box’ of sorts, reminiscent of the empiricist trap of Althusser, where one can only form arguments on whether more bailouts are a good idea, or whether the Troika is ‘too interventionist’ for neoliberal tastes. For instance, consider that one of the structural features of the capitalist mode of production is that it is in a permanent state of *political oscillation* between a ruling bourgeois that favours Keynesian-esque policy and wants to improve the conditions of the proletariat in order to fix the demand problem (and stall crises in that manner), versus one that favours a *laissez-affaire*, free-market style approach, which looks to solve TPRF through more aggressive means of accumulation (this does not mean it is any less receptive to state intervention) (Wolff, 2016). In

fact, if we look at the history of capitalism, this is a trend spanning over a century. The pattern is almost always as follows:

First, there are periods of deregulation of capital accumulation characterized by free-market ideology. When this form of capitalism encounters a crisis it cannot resolve then the narrative changes to one of ‘government intervention’, as was the case with the rise of Keynesianism. This period then faces crises until it confronts one it cannot manage and must make way for a transition back to free-market economics. In this respect, during the late 1960’s and early 1970’s capitalism encountered a crisis it could not resolve, this time in labour with the profit-squeeze, provoking a political transition back to non-interventionism. Some, like Wolff (2016), point out that, post-2008, we may now have another oscillation back to interventionism by way of the neo-Keynesian movement, which applauded the I.M.F. for ‘admitting its mistakes’ by changing its stance on capital controls later in the Greek crisis.

But as Wolff (2016) further points out, both these ideologies have much more in common than they like to believe, sharing a profound “conservatism vis-à-vis capitalism, despite holding radically different views” in terms of intervention in capital accumulation (9). He further goes on to say that this ‘political tennis’ of sorts serves their shared conservatism, preventing “crises in capitalism from becoming crises of capitalism, where the capitalist production system itself is placed in question” (9). This is because the imperative of capitalism – i.e. the reproduction of the economic base of production – never changes during these periods of oscillation; the maintenance of a class of very few people who appropriate the surplus produced by a much larger group of people, namely the working-class, remains very much the same. Much like Althusser warned, the oscillation debate only permits new knowledge to be constructed along the lines of its original arguments, making it exceptionally hard to voice dissenting views.

Ultimately not only does this bring us back full circle to the trap of *empiricism*, but also to the point I made in chapter three, whereby I argue that we need a theoretical model that looks beyond the ‘duality’ of the mainstream debate on regulation – e.g. that we must move beyond talking only about more or less regulation or state intervention, and more toward a discussion of a *neoliberal state-corporate nexus* where states are not mere neutral actors but complicit with the objectives of neoliberalism, be it freeing capital from its material limitations at any cost (e.g. Eurozone) or engaging in accumulation by expropriation when *compound growth* cannot be sustained (as, we shall later observe, was the case in Greece).

Section 4.5: A structural-Marxist interpretation of the Greek sovereign-debt crisis

To analyze the Greek scenario through a structural-Marxist model, we must once again look at what Marx calls capital’s *counter-acting measures* – i.e. attempts to divert *over-accumulation* by decongesting whatever blockage is holding up circulation of capital. Greece’s bailouts are essentially examples of such methods, and the recession has been so severe precisely because these have failed for very specific reasons. The Greek scenario is thus significant theoretically for a structural-Marxist model on crises because it is highly unprecedented. In short, it shows that this new, more aggressive form of capitalism we have seen since the 1970’s onwards (i.e. neoliberalism) is causing capital’s traditional crisis managing mechanisms (i.e. *counter-acting measures* against *TPRF*) to fail in increasingly spectacular ways. This analysis eventually allows us to come full circle to Marx’s claim that capitalism will inevitably find it increasingly harder to reproduce itself as it gives in to *productivism*. Yet, it also sheds light on the recurring theme of the thesis: since capitalism never really solves its crises, but merely moves

them around in space and time until they become someone else's problem, what happens when it cannot do this any longer? (Harvey, 2010b).

Neoliberalism has been continuously trying to remove barriers to capital accumulation for decades and has been quite successful, but in doing it has aggravated the contradiction between productivism and the material limits of capital accumulation. The Eurozone is a prime example, seeking to remove geographical barriers to the circulation of capital in the name of free trade to the point where the traditional counter-acting measures against crises no longer work. Harvey (2010b; 2014) has written extensively about the ways in which the capitalist state intervenes during a crisis to attempt to restore profitability, whereby crises are stalled or moved geographically to avoid immediate implosion of the domestic economy. He dubs these interventions *spatio-temporal fixes*. For all intents and purposes, these are simply a better thought-out and more theoretically complex conceptualization of Marx's *counter-acting measures*. Much like Marx's explanation of the concept, the *spatio-temporal fix* represents one of the ways capitalism can suspend, albeit only temporarily, the contradiction between *productivism* and capital accumulation. This concept makes sense in the context of the paradox of capital accumulation as it represents the way in which capitalism deals with *crises over-accumulation* locally (Harvey, 2004, 63; Jessop, 2006). *TPRF* steers capitalism *towards crises of over-accumulation*, where capitals and labour-power end up laying idle with no way of coming together (Jessop, 2006). In turn, over-accumulation occurs when capital and labour can no longer be re-invested at the average rate of profit, or worse, any profit. Other ways must then be found to absorb this extra-surplus capital (Harvey, 2004, 63). As Harvey (2004) puts it, "geographical expansion and spatial reorganization provide one such option" (63). On this he further writes:

The basic idea of the spatio-temporal fix is simple enough. Over-accumulation within a given territorial system results in surpluses of labour (rising unemployment) and

surpluses of capital (registered as a glut of commodities on the market that cannot be disposed of without a loss, as idle productive capacity, and/or as surpluses of money capital lacking outlets for productive and profitable investment). (Harvey, 2004, 64).

The spatio-temporal fix represents the geographical and temporal redistribution of labour and capital surpluses that cannot be absorbed internally when over-accumulation is high. As Harvey (2004) writes, when this happens these capitals must be “sent elsewhere to find a fresh terrain for their profitable realization if they are not to be devalued” (67).

Harvey (2004; 2010b; 2014) goes on to say that there are essentially two types of *spatio-temporal fixes*. First, we have what is known as the spatial displacement, which I provided some examples of in the previous chapter when discussing some of the more general ways in which Marx thought capitalism has made use of *counter-acting measures* to maintain *expanded reproduction*. This concerns the notion that when low profitability hits global capitalism’s core regions, either surplus-capital is exported, or surplus-value is extracted from aboard to fill the gap. From a theoretical perspective this refers to capitalism’s need to constantly create new divisions of labour to exploit, attempting to find cheaper resource wells, or even penetrate non-capitalist economies to create whole new markets to profit from. Much like Marx’s *counter-acting measures*, the objective of such strategies is always absorbing existing capital surpluses when an economic crisis is imminent so that the flow of capitals can proceed unimpeded (Harvey, 2004, 66). In the real world this can take the form of: i) developing external markets elsewhere in the capitalist world in response to the demand problem; ii) foreign-trade with non-capitalist nations to widen profit margins when profitability at home is low⁵¹ (i.e. expand the market to get around the demand problem); or iii) expanding the labour market (i.e. off-shore

⁵¹ It is for this reason that over two-thirds of foreign-trade is accounted for by transactions between transitional corporations (Harvey, 2004, 72).

production to access a better *reserve army of labour*) (Jessop, 2006). What all these forms of spatial displacement have in common is that they provide a potential escape from crisis by way of artificially manipulating the market geographically (Jessop, 2006). From the theoretical perspective of the crisis of over-accumulation, this makes sense because, as Harvey (2004) writes, if the “surpluses of capital and labour power exist within a given territory (such as a nation state) and cannot be absorbed internally (either by geographical adjustments or social expenditures) then they must be sent elsewhere to find a fresh terrain for their profitable realization if they are not to be devalued” (67). He then points to the U.K. government in the 1990’s as an example, specifically when it lent money to the U.S. so it could alleviate the demand problem in Japan (which was suffering from overproduction), thus having the Americans become an instant consumer of Japanese goods (67).

Building from Harvey, I argue that intentional currency devaluation (i.e. inflation) is also a spatial fix. This is because, as I mentioned in section 2.16, Marx (1939/1973) argued that countries facing sudden economic downturns and high debt will allow their currency to depreciate on purpose by printing more money, the price being inflation at a later date. Here, a lot of money is printed very quickly and the government in question simply pays its debt before its creditors realize that its currency has been devalued and is not worth as much as it initially was. In this sense, the financial losses stemming from crisis are not exactly recovered or averted but moved spatially so that it is now the creditor who is at a loss and could potentially face a crisis of their own (Harvey, 2010b). These relocations require a mediator in the form of financial or state institutions, often at the international level (e.g. the Troika). If they are successful, then the crisis is resolved, at least until the next one arises. If not, the *crisis of over-accumulation* is

exacerbated. Spatial displacements thus fail when it is impossible to move the crisis geographically.

The second type of *spatio-temporal fix* described by Harvey (2004; 2010b) is the temporal fix. Here, surpluses of capital can be absorbed by the temporal displacement: investments in long-term capital projects or social expenditures that “defer the re-entry of current excess capital values into circulation well into the future” (Harvey, 2004, 64). These usually involve “investment in long-lived physical and social infrastructures that take years to return their value to circulation through the productive activity they produce” (Harvey, 2004, 63). They are essentially funds used to stimulate the economy at the expense of more debt and/or higher interest rates in the short-run. This means directly injecting money-capital into the market today, with the hope that in the future investors will return to gradually upturn the bust (e.g. states often borrow and attempt to get the economy back on track through deficit financing in this manner, as the Keynesians did). So, for example, when labour lays idle during a crisis of over-accumulation, the capitalist state can resort to credit, borrowing to invest in future-oriented projects like infrastructure. This reinvigorates the economy by mobilizing the idle labour and gets capital circulation moving again, as well as augments demand for commodities by the working class (who will now enjoy higher purchasing power because of the resulting lower unemployment). This means that anytime the temporal fix is deployed, a quantity of *fictitious capital* must be generated as credit and loaned to the troubled party (Harvey, 2004, 64). If the projects prove productive (i.e. facilitate profit growth), the fictitious capital is redeemed, and the debt-crisis is presumably resolved. If they are not, however, then the over-accumulation of capitals continues, and the crisis becomes increasingly pronounced. As Harvey (2014) points out, this is exhibited as

“difficulties in paying off state debts on physical and social infrastructures” (65). The temporal fix then is thus all about the role of credit in managing uneven development (Jessop, 2006).

The role of the *spatio-temporal fix* in stabilizing capitalist crises has been significant in the past. As I detailed in the previous chapter, capitalism as neoliberalism has been experiencing a perpetual demand problem since the 1970’s due to *financialization* and the *overproduction of fictitious capitals* (Harvey, 2004, 64). Yet as neoliberalism aged, these have become increasingly harder to implement. As Harvey (2004) writes, the “volatility of international capitalism during these years [is caused by a] series of temporary spatio-temporal fixes that failed even in the medium run to deal with problems of over-accumulation” (64). This is because much like all of capital’s *counter-acting measures*, the *spatio-temporal fix* can only ever be temporary.

Furthermore, the search to escape the contradictions of capital accumulation exacerbates the crisis-tendencies hidden by the fix in the long-run. This holds true for all the ways capitalism tried to suspend the contradictions of accumulation (Jessop, 2006). As such, capitalism will find it increasing harder to reproduce its *economic structure* by way of *expanded reproduction* since *compound growth* is becoming harder and harder to materialize in a world of finite resources, increasingly centralized wealth, and *TPRF*. Marx predicted that the inability for capital to accumulate consistently will thus be paralleled by an increasing failure of the *counter-acting mechanisms*. When it comes to a structural-Marxist model, the Greek scenario is significant because it may serve as a sign that this is already happening.

If we apply the concept of *spatio-temporal fixes*, as well as the structural-Marxist framework on crises proposed more generally, to the Greek sovereign-debt crisis we can observe that it is unique in two very important ways. The first has to do with the fact that this is the most severe failure of the spatio-temporal fix we have seen to date in an advanced capitalist economy.

The Greek sovereign-debt crisis represents a catastrophic failure of both the spatial and the temporal displacement on a massive scale, with heavy repercussions for those on the receiving end. From a theoretical perspective we know that these have failed first and foremost based on Marx's observations on what happens when intentional devaluation is unsuccessful. When intentional devaluation of *money-capital* cannot be deployed, heavy devaluation of *labour-capital* and *commodity-capital* will occur instead (Marx, 1863/1963; 1932/1968). This is consistent with Greek scenario in that it shows how Marx was right in that during crises, capitalists will attempt to extract more surplus-value from the proletariat in order to off-set losses to profit growth (Marx, 1863/1963; 1888/1967).

The failure of the spatial fix is straightforward enough, even if it is the more unprecedented development here. What makes the Greek scenario unique is Greece's geopolitical status as a member of the Eurozone. As I have pointed out in the first part of this chapter, this is a bourgeois 'free-trade' invention, given birth to by the *neoliberal state-corporate nexus*'s need to free capital from the limitations of nation borders (Harvey, 2010b). Incidentally, it is this same membership to the Eurozone that has shackled the Greeks to a currency which they cannot manipulate (i.e. the euro), ultimately severely hampering any attempts at recovery. This is because the Greek government simply cannot print more money as long as it keeps the Euro; only the E.C.B. can do so but it has declined, consequently holding the Greek government hostage to the Troika (Gogstad et al., 2014, 5).

The failure of the temporal fix on the other hand is a more complex enterprise. The Troika bailouts are examples of this form of fix, but to better understand how and why these have failed to displace the crisis as informed by a structural-Marxist model, we must turn to examining why 'more of the same' has been so prevalent in the Greek scenario. Consider that

what most often forget about the Greece ‘rescue’ packages is that they are first and foremost loans, which, in addition to carrying immediate conditions that need to be met, also need to be paid back with interest (IMF, 2014). Generally speaking, this interest is usually on the lower side when the loan is marketed as a so-called bailout (at least when it comes to bailing out corporate actors), under the pretense that it is better to take a loss and keep the target market afloat rather than risk a total default. But empirical evidence on the interest rates of Troika loans tells a different story. The first economic adjustment, implemented in 2010, began with an unusually high interest rate and by the time it ended Greece was left with a larger debt than it started with (IMF, 2017; Xafa, 2018). The second Economic Adjustment Programme came into effect as a way of paying off the first loan. It too experienced periodic increases in interest, doubling from 5.5% in 2014 to 10% by 2015, even under threat of looming default on scheduled payments (IMF, 2016b). For example, the amount of money the Troika expected back from Greece was 135% of Greece’s GDP at the time (The Economist, 2014). The Greek recession has thus been characterized by this perpetual cycle of borrowing to pay back what was borrowed, reminiscent of Marx’s explanation of the perpetual debt trap of *fictitious capital* the finance sector always faces.

The negotiation of a third bailout for ‘more of the same’ in the face of repeated failure and fierce public opposition is nothing short of bizarre given that Troika interventions have clearly not been effective (IMF, 2017). The loan conditions have been shown to be anti-developmental and economically unstable, possessing an overzealous focus on foreign corporate intervention which does not promote growth domestically (Torry, 2015). In fact, the sort of forced austerity implemented in Greece has historically been shown to accelerate unemployment in economies where income is low and unemployment is already high to begin with,

disproportionately affecting the disadvantaged segment of the population while having little effect on the recession itself (Eleftheriadis, 2015; Mody, 2015). Rather than simply resorting to debt-restructuring, where the debt is erased at a loss for the lenders, the Troika maintains that debt must be repaid at all costs and that the longer this takes the more interest must be paid back (IMF, 2014). European creditors have effectively ruled out any debt write-offs for Greece (Xafa, 2018). Debt restructuring, we are told, would be too politically difficult to implement as it would cause havoc in the bond markets of Europe. In other words, it cannot be done because the more powerful capitalist states in the Eurozone like France and Germany would have to shoulder most of the losses, since it is their banks that finance most of the Greek debt. There is evidence that as early as 2011, Troika officials knew fully well that the Greeks were at their limit of their austerity toleration and admitted that Greece had already done a lot at great cost to the population (IMF, 2014; IMF, 2016a). To this end leaked documents indicate that Germany was the main voice insisting that any hair-cut trims on Greek debt be refused, instead demanding higher interest (McCauley, 2015). Incidentally during the time Greece was bailed out, German banks profited from the loan program to the tune of 100 billion euros (Savio, 2015). It has been in their interest to keep squeezing as much as possible out of Greece, even if this meant squeezing its people as well.

This undemocratic and exploitative character is reflected in the very structure of Troika institutions; they operate without transparency and are subject to questionable accountability (Burall & Neligan, 2005, 17). The E.C.B. is run by unelected officials; bankers and prominent CEO's who acquired their positions with financial and political clout (Burall & Neligan, 2005, 17). The E.C. is also unelected, its members appointed by the European Parliament. It is common knowledge that it is a heavily politicized institution despite the fact that commissioners are

mandated to operate above the interests of the nations they represent (Christiansen, 1997/2011). The I.M.F., the most influential of the three, is run by an executive board that has a final say on all matters, representing the interests of its 188-member states. The reality, however, is that richer countries are disproportionately favored by the Fund's voting formula, as voting rights are distributed based on the economic influence of the nation in question. Germany, Japan, France, the U.S., and the U.K. control close to 40% of all voting rights, while most other members, Greece included, hold under 1% each (IMF, 2016a).

The records of these institutions are littered with self-serving agendas. Representing the lender banks of Europe, the E.C.B. has been the main opponent to Greek debt-restructuring. Because it controls the Euro, it has rejected requests to manipulate the currency in order to let Greece pay off debt on the pretense that the economies of countries like Germany would suffer (Burall & Neligan, 2005, 17). The E.C.B. has also insisted that the bailout conditions have a significant portion of the loans be used solely to bailout the Greek banks, arguing that by bailing them out first, this would encourage them to lend more and stimulate the economy. This, of course, has not happened (Burall & Neligan, 2005). Banks are still imposing harsh conditions on borrowing while blaming weak confidence in the market as culprit, as is typical behaviour in the financial sector during a bust. Ironically, since the government is relying on tax revenue to sustain its debt, it is effectively the tax-payers themselves that have been bailing out the banks, and they have nothing to show for it.

The E.C. has also taken a complicit role in the sacking of Greece by passing international investment agreements that enable corporations to speculate on future profits by suing Europe's crisis hit countries (Olivet & Eberhardt, 2014). To this end, private lenders holding Greek bonds were given "protections from expropriation" by these laws, enshrined in catch-all clauses such as

“fair and equitable treatment” and “protection from indirect expropriation” (Olivet & Eberhardt, 2014). These clauses have been interpreted so broadly that corporations have been successfully able to sue states not only for lost profit, but for any policies that could be deemed to affect future profits. German banks, for example, have benefited greatly from suing the Greek government for lost profit on depreciated bonds after Greece’s debt was downgraded to junk status in early 2010 (Olivet & Eberhardt, 2014). Many of these speculative investors bought bonds once the crisis already emerged, and so they were fully aware that there was major risk at hand. Rather than being held responsible for a failed investment, they were instead given an escape clause while the masses suffered.

The activities of the I.M.F. in the Troika mirror its long record of encouraging third world nations to de-regulate their financial markets and open themselves to corporate take-overs, often resulting in more social disruption than economic growth (Picciotto, 2011, 88). In fact, the I.M.F. has only ever been a lender of credit to emerging or stressed economies on the condition that governments sell off state-owned industries to international corporate entities (Harvey, 2010b). Money is often coercively withheld if said states try too hard to protect key sectors from privatization, and there is a complete absence of mechanisms ensuring that the nation at the receiving end has any real say in its policy choices (Harvey, 2010b, 29). The Fund then pressures countries to open their markets internationally, neglecting their particular circumstances and immediate problems so that speculators and wealthier nations can reap the monetary rewards.

There are many occasions in recent memory where the *neoliberal state-corporate nexus*, through the Washington Consensus, has been abusing the spatial fix through global financial institutions like the I.M.F. and World Bank to bully weaker, less developed nations through manipulations of credit and nefarious debt management (Harvey, 2014, 70). The pattern has

always been the same: U.S. banks invest in highly speculative enterprises off-shore, and the I.M.F. forces the receiving nations to cover the risk (countries eventually all have pay to up through structural adjustment programs). Debt-crises in particular have been a favourite opportunity for global capitalism to reorganize the social relations of production in each country as to favour the penetration of neoliberal doctrine for decades. The I.M.F. did this in Latin America during the 1980's, where it forcefully de-regulated whole economies which were then raided by U.S. corporations (Harvey, 2004, 78). It did this again in 1997, only this time to help American hedge funds profit off the Thai and Indonesian currencies through heavy devaluation policies. This caused millions to fall victim to unemployment and immiseration, to such extent that it erased a lot of the social and economic progress made in East and South-East Asia during the latter half of the 20th century (Harvey, 2004, 78). Furthermore, as Harvey (2004), puts it “this also conveniently sparked a flight to the dollar, confirming Wall Street's dominance and generating an amazing boom in asset values for the affluent in the United States” (78). The responses to the recent crisis coming from the Troika and the E.U., under the leadership of Germany and France, arguably shows that this block of nations is part of the global neoliberal consensus and are now relentlessly pursuing *accumulation by expropriation on an expanded scale* (Harvey, 2004).

What is interesting about the failure of the temporal fix during the Greek scenario, however, is that it shows how the *neoliberal state-corporate nexus* has been reduced to an all-time low in the face of *TPRF*, as it is now resorting to cannibalizing itself just to survive another day. By default, *neoliberal state-corporate nexus* will constantly attempt to expand its core region according to the law of *expanded reproduction*. If we look back to section 3.3, this is what I meant when I noted that the golden age of capitalism was sustained, at least in part, by a

bourgeoning alliance of core capitalist nations. Later on, we find out it is this same (expanded) block of nations whose interests are represented by the Washington Consensus. The core capitalist region of the *neoliberal state-corporate nexus* is where productivism is highest and neoliberal ideology is strongest (Harvey, 2004). Oligarchies and monopolies based in the core capitalist region tend to control most of the capitalist production and finance in the global market. Under these conditions, the creation of new market openings by virtue of globalization does not open up more competition but instead proliferates the monopoly powers (Harvey, 2004, 71). Whenever low profitability or crises hits global capitalism's core region, either surplus-value must be extracted from abroad or the surplus-capital in the core must be dispersed. Incidentally this is one of the ways crises are moved around through the spatial fix. Yet applying this knowledge to the Greek scenario leads us to a curious narrative. When the monetary authority known as the Eurozone was created in 1999, membership was considered extremely prestigious (and it still is today, although the troubles of the Euro in the recent crisis has somewhat put a damper on this sentiment) (Harvey, 2010b). Although not a founding partner, Greece was the first non-founding nation to be extended invitation in 2001 (Olivet & Eberhardt, 2014). This helps explain why before the crisis hit, Greece was considered a core nation of the E.U., at least in relation to other members like Romania or Bulgaria (who are still not allowed in the Eurozone to this day). Nonetheless, it was still among the weakest economically in the monetary regime, along with other southern European nations and Ireland, with France and Germany being the strongest. When the Great Recession hit the Eurozone nations, the failure of the *spatio-temporal fix* (ironically due to the Eurozone itself) was used as an opportunity to force poorer countries to absorb as much of the crisis-related harm so that other nations deeper in the Eurozone capitalist core could not only weather it unscathed, but even profit. This is precisely

why southern European nations, Greece in particular, were the ones that experienced the worst economic trauma while Germany, part of the core capitalist region of the Eurozone, is not only doing relatively the same as prior to the crisis but is the one dictating the terms to debt ridden countries.

This is theoretically significant because what we are witnessing for the first time in the neoliberal age of *expanded reproduction* is a contraction of the core capitalist region, so that some regions are excluded in order to have someone bear the brunt of devaluation and, ultimately, *TPRF*. In other words, the core region shrinks when there is nowhere to dump over-accumulated capitals. Irrational narratives are then given for why this must happen by those in charge of the expropriation, much like we have seen in the Greek scenario. This means that as nations become increasingly embedded in the neoliberal finance matrix, they also become equally less able to deal with crises (in this case either by moving them geographically or temporally). This is why those less entrenched in the global financial sector have traditionally been better at staving off crises, or at least curtailing them once they do hit. An example is found within the E.U., where nations not in the Eurozone recovered much more quickly from the Great Recession, whereas nations at the outskirts of the Eurozone (e.g. Greece, Spain) did much worse (Olivet & Eberhardt, 2014). This once again brings us back to Marx's notion that capital accumulation operates in a contradictory manner; specifically, that *productivism* is at odds with the material limits of production. This is an example of the paradox of capital accumulation at play; the more capitalist states give into the neoliberal agenda, and by extension *expanded reproduction*, the less protected they are from expropriation when the next crisis hits, unless they are at the top of the food chain. Incidentally, this also reveals that the alliance between the core regions is feeble at best. As I mentioned previously, some of the increasing volatility of the

global financial sector has been due to *over-accumulation*, but another part has been due to the *neoliberal state-corporate nexus* wanting to maintain its hegemony. Over the last two decades, *TPRF* has come to cause increasing competition for decreasing resources even between the most neoliberal of states. The fact that Greece was an advanced capitalist state, a founding member of the bourgeois project known as the E.U., as well as an early member of the prestigious Eurozone, and it still went through what it went, is perhaps a sign that the hegemony of the *neoliberal state-corporate nexus* is buckling under the pressures of *expanded reproduction* in the 21st century. Furthermore, interrogating the narratives around Troika intervention has shown that the responses fall prey to the age-old empiricist trap described by Althusser (1969) and Marx (1894/1959) before him, whereby the object of study, in this case production, is endlessly divided and analyzed without all its surrounding facets. To this end we have observed that the policy responses revolve around the outdated debate between state intervention and less regulation, which is representative of the century-old oscillation between bourgeois theories as discussed in one of the earlier sections of this chapter (Bezemer, 2010).

In the end, a structural-Marxist interpretation of the Greek sovereign-debt crisis shows that it has prevailed for so long not because of, or lack thereof, outside ‘intervention’, more or less ‘regulation’ or austerity, or any other such bourgeois explanations as given by the empiricist narratives examined above, but rather because capitalism’s traditional *counter-acting measures* for dealing with localized crises of *over-accumulation* have failed in unprecedented ways. Using the theoretical extension of Harvey’s (2010b) *spatio-temporal fix* as a way to better define Marx’s (1894/1959) concept of *counter-acting measures*⁵², we can observe that the ‘spatial fix’ has failed, ironically, because Greece has given up control of its currency when it adopted the

⁵² Revert back to chapter two for an explanation of Marx’s *counter-acting measures*.

Euro to join the elite neoliberal experiment known as the Eurozone, and therefore could not print more money to quickly re-pay its debts before inflation set in as a way to displace the crisis geographically (as capitalist social formations have traditionally done in the past). On the other hand, the neoliberal desire to maintain *compound growth* even in the face of global economic collapse has resulted in a 'temporal fix' that was only meant to funnel capital to the core capitalist regions of the Eurozone, so that countries like Germany and France experienced the least ill effects of the crisis while peripheral nations like Greece were left in the dust to share most of the burden.

The Greek scenario stands as an example of how capitalism has created another crisis for it itself, has failed to displace it through the *spatio-temporal fix* as it has done in crises past, incidentally because of its own inability to abide by a material limit, and has now ultimately resorted to cutting its losses by cannibalizing the Greek economy at the expense of its citizens. This means that the fault of the sovereign-debt crisis in Greece lies not with the Greek government or its people but is the result of the predisposition of capital accumulation typical of neoliberal policymaking (i.e. the type that gave birth to bourgeois machinations such as the Eurozone). What is unprecedented about this case, however, is that Greece was considered a highly advanced capitalist nation, so this means that if a disaster of this magnitude can happen there, it can happen anywhere, including Canada. The Greek scenario thus offers us a glimpse of happens when there are no more new markets to open and no new reserve armies of labour to exploit in order to deal with *over-accumulation*. In this sense, neoliberalism's obsession with *productivism* and the bypassing of the material limits of production in search of *compound growth* in general have caused capitalism's traditional counter-acting measures, in this case the

spatio-temporal fix, to start failing. This brings us full circle to Marx's (1965/1983; 1885/1956) argument that more capitalism gives into *productivism*, the more unstable it becomes.

That criminology, the field within which I completed this study, has remained more or less silent on this issue is nothing short of bewildering. This is because, even without applying a Marxist framework to analyze the recent crisis, any criminologist should observe that the Greek bailouts were undoubtedly draconian, exploitative, anti-democratic, and self-serving. The fact that so far nobody within the Troika or the corporations it supports has taken responsibility for this disaster is a question that should be posed by any would-be criminologist. These sorts of activities were not even limited to the Troika or even to Greece; plenty of financial institutions have engaged in illegal money laundering, insider dealing, manipulation of interest rates, etc. in wake of the Great Recession (Sayer, 2015). And yet nobody has resigned, missed a day's pay, or faced any kind of repercussion. Where is the criticism? Where are those considering the alternatives (Frauley, 2015; Teeple, 2000)? The fact that we have socialized this tragedy as something normal while those responsible not only got away, but also enriched themselves in the process, represents the most important question posed by this thesis to criminology.

FETISHIZING THE CRISIS AND UNDERSTANDING 'MORE OF THE SAME'

From a structural-Marxist perspective, the central problem identified regarding the recent crisis is that: *productivism* cannot be the central force compelling human social evolution. The capitalist mode of production cannot reproduce its *economic structure* at an expanded scale forever. This is a long-term problem that manifests itself as an increasing volatility in the reproduction of the capitalist mode of production, expressed here as economic crises of greater and greater magnitude. The contribution of Marx's theory on capital accumulation is that *TPRF* occurs not because productivity decreases but precisely because it increases, meaning that if the capital project were ever to be realized in full, wealth inequality, and consequently immiseration, would increase, not decrease. At the same time, crises are a necessary part of the reproduction of the capitalist mode of production. This is because the *destruction of capitals* is an integral part of the process of dealing with *overproduction* and reigning in the power of labour, meant to set the groundwork for a new period of profitability. It is in fact through crises that capitalism suspends *TPRF*, and this ultimately reveals this mode of production's permanent necessity to dominate the class struggle in order to reproduce its *economic structure*, underlining the antagonistic nature of the social relations of capitalist production (Clarke, 1990, 446). Yet as the objectives of capital accumulation become harder and harder to materialize in a world of finite resources, capitalism turns to increasingly imperialist measures to keep up the illusion that *productivism* is the answer. This occurs because the accumulation of capital on an expanded scale necessitates transcending the material barriers of production; hence why capitalism employs *counter-acting measures* to suspend its contradictions (Clarke, 1990, 60, 460). It is thus the inability for capital to accumulate consistently based on *expanded reproduction* that causes a rise in behaviours that seem to run counter to the ideologies of capital (Harvey, 2004, 64).

The crisis that engulfed the world in 2007 reveals that a limit is looming which cannot be transcended. The proliferation of a global financial sector has made global capitalism increasingly volatile and predatory, visited by more and more bouts of *accumulation by expropriation*. I.M.F. intervention has generally been an antidote to these symptoms, used at times when it is difficult to sustain *expanded reproduction*, but it is no longer effective (Harvey, 2004, 78). The viciousness with which the Greek economy was cannibalized presents an example of the increasing imperialistic tendency of a newly globalized capitalism when dealing with its increasing volatility, while the Great Recession is only a surface eruption to a much deeper problem related to the way capital accumulates in capitalist social formations. Unfortunately, without a radical restructuring of the social *relations of production* crises in capitalism will continue to occur with increasing frequency and severity, and capitalism's tools for handling them will become equally desperate and dangerous while the immiseration of the masses will increase (Roberts, 2012).

Yet at the same time the increasing imperialist character shown by global capitalism is a sign that its hegemony is weakening in the face of *TPRF*, and this presents an opportunity for positive change (Harvey, 2004, 64). We must take advantage of it and continue to challenge the assumption that neoliberalism is the unquestioned doctrine of our time (Bezemer, 2010; Arnold, 2009; Keen, 2009, 681). This is particularly relevant because, up until this point, every major crisis in capitalism has been accompanied by the adoption of a new way of economic thinking – a point in time after each *bust* where we reach a collective agreement in that the sort of economic policies implemented leading up to said crisis were inadequate and deserving of change (Harvey, 2014). The Great Depression of the 1930's brought with it the emergence of Keynesianism as a replacement to classical economic thought in an attempt to manage crises in capitalism. Then

came the debt crisis/worker strikes of the late 1960's/early 70's, which saw the abandonment of Keynesian principles in favour of a resurgence of (some) features of classical economics. What is remarkable about the recent Great Recession, however, is that unlike the previous crises, this time around the *bust* has been accompanied by an absolute zero lack of initiative in terms of restructuring current economic thought. To this end, Bezemer (2010) makes an interesting argument in that over the last few decades, crises in neoliberal capitalism have been rationalized as single-occurrence, 'new era stories' (e.g. the advent of technology in the 1990's, globalization in the 2000's), to which the only remedy was more 'financial innovation'. So, while the ideology of *productivism* has always been an element of the ruling bourgeois, perhaps one of neoliberalism's greatest successes has been exporting this philosophy and its supposed benefits to the masses around the globe. One look at how capitalism has been able to remake itself in the wake of the 2007/08 collapse, and this becomes blatantly obvious. In this sense I echo Harvey (2014) and Haiven (2014) in that we are 'stuck', or 'blocked', unable to ask whether there really are no other alternatives or whether we are blinded by our inability to envision them; whether we have become so entrenched in neoliberal thought that to think outside of its boundaries is impossible.

A satisfactory answer to the question posed is difficult to rate in Marx's own terms, given that he died before concluding his more abstract work on the relationship between crises and *fetishism*. But perhaps we may garner a clue or two from his brief mention of a legal and political 'superstructure', which could be a reference to ideology, defined as the social elements not directly involved in capital production at the economic base (e.g. politics, religion, family, art, law, etc.), which defines the 'consciousness of men' (Marx, 1859/1979). The existence of

capitalism as a mode of production (i.e. the ‘structure of production’⁵³) depends on the ‘maintenance’ of this superstructure (Hindess & Hirst, 1975, 14). On this he argued that “the *totality* of these *relations of production* constitutes the *economic structure* of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness” (Marx, 1859/1979, 4). While beyond the scope of this thesis, one can look to *Ideology and Ideological State Apparatuses* (1968/2001), where Althusser further develops this argument by proposing the existence of an ideological dimension⁵⁴ inherent in the superstructure and which exists alongside the ‘repressive’. This is constituted by elements that, although not directly involved in production, serve to reproduce the social relations of capitalism in a manner consistent with *expanded reproduction*. To this end, if we further flesh out the Althusserian notion that there exists a permanent ‘ideological struggle’ as one of the *structural* features of the class paradigm, we could interpret the recent crisis as a ‘spatio-temporal’ conjuncture, where the class balance shifted in the favour of capital, further centralizing wealth in the hands of the few and reinforcing the status-quo assumption that capitalism should not be challenged (Harvey, 2010a). This interpretation aligns with the fact that Marx believed crises can be moments when the reproduction of capitalism is threatened by its underlying contradictions (Harvey, 2010b, 3). It would mean that during crises, such as the Greek sovereign-debt crisis, it is important to ask ourselves what is being rationalized and how it is taking place, since this is the first step in breaking through the orthodoxy of neoliberal bourgeois theory and shifting the balance of power back to the masses.

Ultimately it would certainly help if the social sciences, criminology included, would stop pretending like the 2007-08 crisis and the pain and suffering it has caused never occurred

⁵³ Revert to section 2.7 for clarification on the *economic structure* of production.

⁵⁴ Revert to chapter one for an explanation of Althusser’s ideology.

(Tombs, 2015, 67). A disaster of this magnitude should have stimulated our academic imagination like never before (Teeple, 2000). Unfortunately, as Tombs (2015) points out, the little criminological literature that exists on this issue is “a torrent of self-referential banality from which considerations of power, capital, class and even crime are notable for their absences” (67). I would argue that it is our duty as social scientists, and as criminologists in particular, to understand these events and to nurture the imagination to envision alternatives; to make it known that capital is not some mystical, unchanging thing but a process of organizing human production that we ourselves willingly enter. This means that the harms caused by capitalism, like the exploitation upon which the class paradigm is built or its perpetual *crises of over-accumulation*, are all man-made, artificial structures; they are by no means the ‘natural’ evolution of human social formations. Thus, the question of how well we can navigate future crises falls to whether we are able to drive this point across well enough so that the masses can collectively stand up and refuse to be taken advantage of.

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