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SPECIAL ISSUE

Crises and Transformation of Capitalism: Marx's Investigations and Contemporary Analysis

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INTRODUCTION

1. *The Post-Crash Conjuncture*

Eight years after the collapse of Lehman Brothers, there are no signs of a stable and consistent global economic recovery. On the contrary, there is clear evidence of protracted shifts in the epicenter of the crisis. The crisis of 2007–9 and the post-crisis global economic environment pose big challenges to theoretical and empirical investigations.

The impact and historical significance of this crisis — sometimes called the "first global financial crisis" — have been compared to the great crises of capitalist history, such as the crisis of 1929. Of course there is no easy evaluation, since lots of new features are evident in this last crisis: the role of financial innovations, the speed of its international diffusion, the transnational inter-state cooperation to contain it.

The nature of the crisis of 2007–9 is a first issue: is this a Great Depression? What are its causes? What does this crisis have in common with previous crises? What is different this time?

One of the singularities of this crisis is the nature and speed of its international diffusion. It hit the global economy as early as 2008, but the impact was uneven. Basically, the capitalist economies at the center (the United States, Europe and Japan) were the most affected. The leading peripheral economies — China in the first place — were less affected initially and recovered earlier; in 2012 the Bank of International Settlements (BIS, 2012, 1) called it a "two-speed recovery." Still, according to data from the

BIS, after 2010, for unemployment data, there is a disconnect between the recovery in the United States and the persistence of crisis in Europe (BIS, 2013, 14). Later, the BIS (2015, 45) mentions "shifting growth patterns," contrasting an "upswing in the advanced economies" with the emerging market economies, which "lost further momentum." In 2015 the Brazilian economy shrank by 3.8%, while turbulence on the Chinese stock market was widely seen as foreshadowing deeper problems. A shifting epicenter of turbulence may be a feature of what Andy Haldane, chief economist of the Bank of England, has called

> a three-part crisis trilogy. Part One of that trilogy was the "Anglo-Saxon" crisis of 2008/09. Part Two was the "Euro-Area" crisis of 2011/12. And we may now be entering the early stages of Part Three of the trilogy, the "Emerging Market" crisis of 2015 onwards. (Haldane, 2015.)[1]

The post-crash conjuncture has been an environment of polemics and disputes, even among leading policy makers and economic commentators. The return of the phantom of "secular stagnation," put forward by Obama's former chief economic adviser, Lawrence Summers, is an indicator of the problems involving the global capitalist economy (*e.g.*, Summers, 2014). The crisis in itself, given its importance and long-lasting effects, brings forward another issue for the investigations: is it related to a transition towards a new phase of capitalist development?

Beyond those more directly economic uncertainties, the present conjuncture involves plenty of deep social and political problems, both old and new. It is not possible to evaluate the post-crash scenario without considering rising inequality, new demographic issues related to longer life expectancy, the flows of migration from Middle East and Africa towards Europe, the profoundly dysfunctional evolution of European integration, the rise of xenophobia and rascism in some European regions, and ongoing changes in global geopolitics.

Therefore, the post-crash conjuncture offers great challenges for investigators. How to face them?

2. *Marx as a Starting Point*

Marx and his works are a starting point that may at least bring together many researchers. We would like to stress two main points regarding Marx and contemporary debates on crises.

First, there is his theorization of capitalism as a dynamic system. This implies a long-term perspective that offers a highly distinctive treatment of

1 For an assessment of this conjuncture, see Callinicos, 2016.

change. This dynamic system undergoes transformation in a turbulent and non-linear way, and this is a key reason why crises have such an important place in Marx's works and investigations. Marx himself, and after him a long tradition of Marx-inspired intellectuals, have dedicated efforts to understand the crises that populate the history of capitalism, in particular relating them to the long-term dynamics of capitalism. Furthermore, this persisting tradition has investigated the complex relationship between capitalist dynamics, crises and transformations of capitalism. In the early decades of the 20th century, Hilferding, Luxemburg, Bukharin and Lenin with their works on imperialism offer examples of attempts to understand the emergence of a new phase of capitalism. Those works influenced a later rich line of inquiry that has been investigating different phases during the 20th century. This tradition is alive and well in the early decades of the 21st century: the book edited by Albritton, *et al.* (2001) and the special issue of this journal (*Science & Society*, 2010, Vol. 74, No. 3), edited by Justin Holt and Julio Huato, are good illustrations of this line of inquiry.

Second, the international collaborative research and work organized around the MEGA — the *Marx–Engels Complete Works* (*Marx Engels Gesamtausgabe*; see https://socialhistory.org/en/projects/marx-engels-gesamtausgabe), or MEGA^2 — has transformed the level of studies of Marx. The MEGA project is a fascinating source of new information and new materials from Marx: it is changing how we read him. For those interested in crises, the MEGA project has made available some unpublished material, especially Marx's notebooks on crises. The excerpts in these notebooks give clues to contemporary researchers concerning how Marx investigated the crises that he witnessed. Those materials reveal his efforts carefully to collect empirical data on contemporary crises — 1847, 1857, 1866, 1874 — using sources such as *The Economist*, *The Money Market Review*, statistics from the Bank of England's Reports, and Parliamentary enquiries. The MEGA shows Marx himself struggling to make sense of changes in the capitalism of his time. A more lively and human picture of Marx may arise from those materials: his notes, topics that grabbed his attention, and explorations of issues that were important in some excerpts but evaporate in others. Therefore, these materials (whether published or in the MEGA's archives) can help today's researchers to broaden horizons, to sharpen and improve their research tools, and to develop a new understanding of Marx's whole endeavor. It is a happy event that this new knowledge of Marx and his investigations on crises are becoming public exactly when we have this huge challenge of understanding a new crisis in capitalism.

In sum: what is fascinating for those who would like to take Marx as a useful reference point to investigate contemporary capitalism is the transformation that our knowledge of his contributions is currently undergoing, for the better. Not only is capitalism dynamic, but knowledge of Marx is also changing — a changing subject with a changing theoretical starting point.

3. *This Special Issue*

The challenge to understand the post-crash conjuncture and the opportunities opened by new materials on Marx's studies of crises demand deeper investigation, collective reflection and academic discussion. To help meet this challenge and to take advantage of this opportunity, a workshop was organized at King's College London (May 27 and 28, 2015): "Crises and Transformation of Capitalism: Marx's Investigations and Contemporary Analysis."[2]

This special issue of *Science & Society* is a product of that workshop and of its lively arguments and debates.

The reader may use it as a combination of different and sometimes even conflicting views of the complex system that is capitalism. Those conflicting views might even be reinterpreted by the reader as complementary, since the articles have different focuses. The final result is up to the reader, of course. We hope that there is something to be gained from the interpretations presented here.

4. *The Articles*

The articles in this special issue are divided into two sections.

4.1. *Marx's Investigations and Crisis Theory.* Lucia Pradella (King's College, London) opens the first part, tracing the development of Marx's understanding of the link between imperialism, crisis, and revolution. Her article uses Marx's notebooks (partially published in the fourth section of the MEGA^2), his articles on colonialism (on India, China and the United States in particular), the "Book of the Crisis" drafted in 1857–8, and *Capital,* Volume I. Pradella first argues that, thanks to his critique of the quantity theory of money in the London Notebooks (1850–3), Marx developed his analysis of capital accumulation at the global level, including processes of

2 This workshop was a relatively unplanned event born out from a research project on metamorphoses of capitalism, initially funded by a Brazilian agency (CAPES, Grant BEX 1669/14–1), and implemented in 2014–2015 in an academic collaboration between King's College London, UK, and Cedeplar-UFMG, Belo Horizonte, Brazil. During this project, the idea of a workshop was suggested, and later took on a life of its own. The composition of the workshop naturally involved previous collaborations and connections; therefore the participants were academically located in the UK, France, Italy and Brazil. The next step, after this special issue, may be a workshop in Brazil with broader participation from America (North, Central and South) and Asia.

foreign investment and imperialist expansion. Marx thus elaborated a more sophisticated understanding of the link between capital accumulation and crisis, and overcame his previous unidirectional view of international revolution. In the "Book of the Crisis" and in his articles on China and India, Marx argued that anti-colonial movements in these countries were aggravating factors of crisis; these movements could react on Britain and, through it, on continental Europe, increasing the possibility of a revolutionary outcome. In the next section Pradella discusses how *Capital* I conceptualizes the link between anti-colonial movements, hegemonic transition, and crisis. Pradella presents, in particular, Marx's analysis of the consequences of U. S. industrial development and of the American Civil War for English industry.

Leonardo Gomes de Deus (UFOP, Brazil) and his colleagues ("A Theory in the Making: Marx's Drafts of *Capital* and the Notebooks on the Crisis of 1866") focus on Marx's preparation and later work on Volume III, especially Part Five on interest and credit, and Engels' edition of those manuscripts and notes. This article follows a sequence that begins with Marx's plans for his works; proceeds with the *1864–65 Manuscript*, followed by the return of Marx to investigations of money, credit and finance after his studies and readings related to the crisis of 1866; and concludes with a discussion of how Engels edited Volume III with all these materials.[3] This article shows how Marx was exploring structural changes taking place before and after the crisis of 1866. The topics of the indexes prepared by Marx in Notebooks B108, B109 and B113 show his interest in new phenomena such as changes in the policies of the Bank of England (the beginnings of its role of lender of last resort), the relationship between "securities and panic," the emergence and growing importance of "joint-stock banks and other companies," the development of the railways (which could be seen as both an industrial and a financial innovation), and institutional changes such as the Limited Liability Act of 1862. In the opinion of the authors, the "*Exzerpthefte* Marx wrote in 1868 and 1869 constitute a systematic investigation into the crisis of 1866." In dialog with the next section, they highlight that "the notebooks presented here provide a very clear agenda, involving the money market, international trade, credit and crisis."

Alex Callinicos (King's College London) and Joseph Choonara (Middlesex University, UK) contribute an article that marks a transition from the level of elaboration at the first level — Marx's writings and research — to a new one that aims at investigating the role of crises in the dynamics of capitalism. The debate shifts to issues such as the role of profit movements in crises, how to measure the rate of profit and how those measurement issues may impact the discussion on the nature and status of Marx's interpretation.

3 The *1864–65 Manuscript* has now been published in English: Marx, 2016.

Callinicos and Choonara stress that David Harvey is a very important contemporary Marxist, but are critical of his recent dismissals of attempts to explain crises by a falling rate of profit. They summarize different interpretations on the status of the tendency for the rate of profit to fall (TRPF) in Marx's works. With a focus on this issue — critical for the understanding of crises, old and new — Callinicos and Choonara offer a broad view that discusses basic methodological issues, preparing the ground for an argument on "why profit rates matter." Here, the article elaborates on the role of the rate of profit before and during crises, organizing a discussion on causality and other connections between industrial dynamics and the role of credit and finance, both subjects of Marx's Volume III. Callinicos and Choonara suggest an interaction between the tendential fall of the rate of profit and their countertendencies, arguing that "this does not mean that profit rates become indeterminate." They stress that "Marx appears to have envisaged the TRPF and the countervailing tendencies as working themselves out through periodic crises. . . . Far from the tendency and countertendencies simply pushing profit rates up or down, they tend to develop in an explosive manner, with periods of expansion punctuated by crises." Callinicos and Choonara thus introduce the role of countertendencies that will be central to two articles in the following section.

4.2. *Empirical Trends and Theoretical Explanations.* Guglielmo Carchedi (Italy) opens the second part with a very precise question: "Was the Great Recession a crisis of profitability?" This subject is again a topic of Marx's Volume III — here a link with papers in the first section — and a subject of controversy among authors in this issue. The article provides data to follow recent movements in the organic composition of capital and average rate of profit. Data on employment and capacity utilization help to show movements of crisis and recovery (data for the crises of 1949, 1954, 1957–8, 1960–1, 1970, 1974–5, 1980–2, 1990–1, 2001–2 and 2007–8 are presented). Carchedi applies his interpretation of Marx's law of the falling rate of profit, arguing that it "says that the rate of profit falls tendentially," and that his data show "empirically that this is the case." "When applied to the crisis theory, the law says that crises are determined by falling profitability. But the law does *not* say that the rate of profit must necessarily fall in the years *preceding* the crisis. Nor does it say that if it does fall before the crisis, it is the cause of the crisis." Carchedi considers "whether . . . [the Great Recession of 2008–9] was a financial crisis that spread to the productive sectors or a crisis of profitability that determined and spread to the financial sectors," and concludes that "the latter is the case." To discuss this issue, he disaggregates data on total profits into profits generated in the productive sphere and financial profits — "a deduction both from profits generated in the productive sectors and from total profits." The analysis of that data leads

Carchedi to conclude that "all financial crises are tendentially determined by falling profitability."

Jan Toporowski (School of Oriental and African Studies, UK) focuses on the role of finance in capitalism. His article combines an incursion into the history of economic thought (analogous to Callinicos and Choonara's) with a discussion of roots of the crisis of 2007–8 (analogous to Carchedi's). Toporowski critically reviews how Marx and intellectuals such as Mikhail Tugan-Baranovsky, Rosa Luxemburg and Rudolf Hilferding discussed crises and changes in capitalism. Toporowski focuses on financial innovation and highlights that "since the writing of *Capital*, a radical change occurred in the functioning of the capitalist economy, in the form of the emergence and proliferation of markets for long-term debt and shares in capitalist enterprises. These markets expanded with legislation from the 1860s onwards that eased the establishment of joint stock companies in the advanced capitalist countries." This reference is a useful connection with the articles from the first section of this special issue. Toporowski summarizes changes in finance "since the 20th century" in dialog with contemporary Marxists and Post-Keynesians. He reviews theories of financialization, assuming a critical position: "Without an analysis of the conditions for the realization of value, those conditions being principally the accumulation of capital and its financing, theories of financialization cannot provide an adequate account of the corporate finance that lies at the heart of the capitalist economy." With this theoretical background, Toporowski addresses the crisis of 2007–9: "Corporate finance has been largely overlooked in explanations of the 2008 crisis." This interpretation leads him to present "a framework for understanding how the present economic crisis was created in the sphere of corporate finance." Using as reference data provided in articles from *The Economist* — as Marx did in his notebooks on the crisis of 1866 — Toporowski evaluates the financial behavior of six leading multinational firms in the basic materials sector and of General Electric. His conclusion stresses the role of the financial sector in the last crisis, mediated by the dynamics of capital accumulation.

Gérard Duménil and Dominique Lévy (CNRS, France) take a long-term view of capitalism in the United States, and organize their article by describing five different phases and transitions between them. Their references to movements in the rate of profit connect this article to other contributions. These movements inform their article, which postulates three phases of declining profitability ("trajectories à la Marx") and two phases of upward trajectories ("countertendential traverses"). This article is also strongly empirically grounded, with their data on profit and productivity of capital building a long-term view of those movements, starting in 1870. In this long-term scenario Duménil and Lévy contextualize the crisis of 2007–9 and since, and introduce the discussion of a transition towards a new phase of U. S. capitalism, a new downward trajectory that began in 2004. The description of the five phases is followed by a theoretical presentation of both "trajectories à la Marx" and "traverses": "rising managerial features," a topic that discusses managerial revolution and changes brought forward by technologies of information and communication. Their analysis of a new phase — the fifth — after 2004, characterized by declining profitability, is connected to a careful evaluation of the current stage of the revolution of information and communication, with a diagnosis that they consider to be close to the interpretation of Robert Gordon.

Michael Roberts evaluates both the crash of 2007–8 and the conjuncture it inaugurated, presenting a diagnostic that is very clear from the title of his article: "It's a Depression." Roberts suggests a typology of recessions and depressions (six types, from a recession, as in 1974–5, to a Long Depression, as in that beginning in 2007). The article presents data to support the evaluation of the current conjuncture as a long depression, with a special focus on data that show how GDP per capita is now below the trendline defined by the economic trajectory before the 2007–9 crisis. Roberts reviews mainstream authors such as Mankiw and Brad Delong, and institutions such as the OECD that provide evidence of the nature of the current crisis. He integrates the discussions of the role of the rate of profit in this long depression, presenting data for the world rate of profit, based on data processed by Esteban Maito. Those data were a matter of some debate during the workshop; this important controversy may continue. In the case of the United States, Roberts presents data on how movements of the profit rate, investments and GDP are correlated, stressing the leading role of the movements of the rate of profit. The article concludes with a discussion of long-term dynamics and of the eventual emergence of a new phase of capitalism through consideration of profit cycles, in an elaboration that combines Marx and Kondratiev. With this theoretical framework, Roberts finally points to a coincidence between the profit cycle and Kondratiev cycles: as in the 1930s, "the profit downwave now coincides with the downwave in the Kondratiev prices cycle that started in 1982 and won't reach its bottom until 2018."

Leonardo Ribeiro (Inmetro, Brazil) and Eduardo Albuquerque (UFMG, Brazil) continue this preoccupation with long waves by using a framework based on broad movements of the rate of profit to investigate features of an emerging new phase of capitalism. The article is organized around the idea that crises may be moments of transition to new phases of capitalism, using the interplay between tendency and countertendencies to the fall of the rate of profit as a key concept in the investigation of metamorphoses of capitalism — an interplay already discussed by Callinicos and Choonara. The article stresses the role of countertendencies and uses data prepared by Duménil and Lévy to summarize the long-term movements of the rate of profit in the United States. The focus is on two main countertendencies: movements of capital towards new sectors (the persistence of the revolution in information technology and the emergence of potential new sectors such as biotech, nanotechnoloy, and sophisticated robots) and to new regions (China and East Asia). Those two movements — countertendencies at work — introduce broad changes in the global economy, changes that are not matched by similar deep institutional changes. In the conclusion the article suggests that this contradiction between change and continuity "might be the defining feature of the present conjuncture and might shape this specific and turbulent transition towards a new phase."

5. *An Agenda for Further Research*

We hope readers are now motivated to develop their own interpretations of those ongoing debates. This short introduction certainly shows that the discussion is far from over. The diversity of approaches presented in this special issue is a strength and a contribution for everyone who wants to investigate contemporary capitalism.

The content of the workshop and of this special issue might also help to build this agenda for further research. At least three topics deserve further attention: 1) theoretically, an organized discussion of the status of Marx's explorations of the tendential fall of the rate of profit; 2) empirically, an elaboration on the nature of contemporary capitalism and evaluation of whether it is in transition to a new phase and, if so, what stage is it now at; 3) politically — the main reason why we all discuss so intensively the nature of the current system — a new round of the necessary discussion of alternatives to capitalism.

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