

The Deepening Crisis of Global Capitalism in the Age of COVID-19: Why Marx was Right?

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Introduction

Any crisis provides an opportunity to learn. But what is the class nature of the learning process? The current global crisis triggered by the COVID-19 pandemic is not different at all from that political historicity. However, the recent global political experience bears sufficient evidence that the global capitalist class and mainstream economics are not ready to learn – they tend to repeat the history, as Marx said, *first as a tragedy then as a farce*. While the global capitalist class converts history into opportunism and its ultimate survival method – profitability, mainstream neoclassical economics keeps itself occupied with producing ‘more rigorous’ mathematico-deductive models and theories to justify the same historical process. The present debate of mainstream economics on the crisis dedicates its role to fulfill two main objectives, which as this study will demonstrate are equally false. Firstly, it attempts to highlight that the present crisis and its deepening nature were caused by the global pandemic. In other words, the argument goes, prior to the pandemic global capitalism was vibrant and healthy. Secondly, it attempts to highlight that the recovery methods that are identical to the 2008 crisis, consisting of austerity measures, financialization, tax-cuts to the top 1% and dispossession etc. should be instrumented in order to attain recovery from the current crisis. This study was conducted in order to challenge these views and to present a Marxist alternative.

Objectives

The direct objectives of this study are, firstly, to demonstrate the unparalleled importance of Marxian theory, not only to understand the protracted crisis (long-waves) of capitalism since 1950s but also to demonstrate that the so-called ‘recovery’ of the world economy and domestic

economies in the aftermath of the 2008 crisis and deepening crisis of global capitalism in the reality of COVID-19 are significantly different from the narration presented by mainstream economics. Secondly, to historically reposition the Marxian categories with theoretical and empirical evidence as confronting the mainstream views on everlasting capitalist growth, recovery and exploitation (material and ideological) etc. The indirect objective of the study, is to encourage young intellectuals in Sri Lanka to embrace this approach as a larger research framework in order to nourish Marxism in the 21st century with more theoretical and empirical work.

Methodology

The theoretical framework of the study consisted of the Marxian categories, mainly, constant capital (c), variable capital (v), rate of profit (ROP/ r), rate of surplus value (ROSV/ s) and organic composition of capital (OCC) at the global level, which are economic categories developed by Marx through his work “A Contribution to the Critique of Political Economy and Capital Vol. I, II and III”. The empirical evidence and calculations are extracted from secondary sources, and are primarily based on the work by Michael Roberts (2020), Anwar Shaikh (2016) and Carchedi and Roberts (2018).

Results and the Discussion

The pioneering work on long waves, laws of motion and trends of capitalism by Nikolai Kondratiev, Ernest Mandel, Anwar Shaikh, Esteban Ezequel Maito and Michael Roberts confirm the importance of using Marx’s model for the world economy, in Marx’s words capital in general. The law of the tendency of the rate of profit to fall, as Marx discussed in the third volume of Capital, as all the above authors argued, can be considered as one of the most important laws of motion in Marxian categories. Specially, Roberts’ recent work (2020), revisited the significance of the falling rate of profit in the world economy – global capital in general – as highlighting the dialectical significance of this analysis in order to capture the long movement and unavoidable consequences of capital in the age of a global pandemic. The narration of mainstream economics, which articulated the present pandemic as the culprit of the recent economic crisis as undermining the long trends (falling rate of profit) of global capitalist order, is misleading. The pandemic has triggered and opened up the next level of the global crisis; however it did

not cause it. Thus, the so-called methods of recovery in debate are absolutely subjected to the misinterpretation of the health of global capitalism in general and whose recovery such a process will sustain in the coming years. The quick nature of the recovery is laid upon the path of pain, dispossession and exploitation of the global working class.

Roberts' work, with respect to both G7 and G20 economies (figure 1 and 2), shows us that the rate of profit (ROP %) of major capitalist economies since 1960s is in a long-term decline except the period that is remarked by neoliberal recovery between 1983 and 1998. Even though neoliberal recovery lifted up the ROP it was nowhere close to the ROP in the golden age of capitalism (1950-1965). Roberts calls this period the relatively weak neoliberal recovery (Roberts, 2020).

Then, as we witnessed, the inherent nature of neoliberal recovery (profits without producing – financialization) had paved the way to the period of long depression. We can identify the same trend in both figures but with G7 ROP is recording a lower ROP% and G20 ROP recording a higher ROP% throughout the period of long depression.

Thus, as both Roberts and Shaikh argued in their work, there is sufficient empirical evidence to prove and justify Marx's law of profitability (Shaikh, 2016 and Roberts, 2020). The modern phase of the capitalist mode of production exhibits that this value-fundamentalism has not been changed but intensified and universalized. In other words, even today possibilities of cost cutting are a result of replacing labour power with more machinery and intensification of work. The Organic Composition of Capital (OCC) as an indicator could clearly demonstrate the trends of this inherent conflict between constant capital (C) and variable capital or labour power (V).

Roberts's calculations of G20 ROP% against OCC proves the validity of Marx's theoretical take on the labour theory of value with respect to the articulation and accumulation of capitalist profit in the global scale. As opposing trends of ROP and OCC to each other demonstrate that there are, firstly, rising organic composition of capital at the global scale as a direct result of a rise in constant capital against labour, secondly, until the mid-1980s the rate of OCC was maintained under the falling ROP and then

neoliberal recovery offered sufficient amount of reasoning to unleash an increasing rate of OCC against ROP% globally. Thirdly, as Roberts concluded, the long-term decline in profitability (1950-2017) is matched by a long term rise in the OCC as Marx predicted (Roberts, 2020).

The above calculations, Rate of profit, Organic composition of capital and Rate of Surplus value, by Roberts do fit well into the theoretical framework of Marx. If OCC rises more than the ROSV, the ROP will fall – and vice versa (Marx, 1867 and Roberts, 2020). During 1997-2017, OCC was 3.4, well above ROSV -6.8 thus ROP recorded a value of -9.9. Throughout the long period of analysis, 1950-2017, OCC was 12.6, which is well above -8.4 of ROSV and resulted in -18.7% of overall global capitalist rate of profit.

The question we should wisely raise at this point of history is, what kind of consequences will be fall on the global trends of higher OCC, where the working class is put under pressure (in numerous ways) as ROP is further falling down universally following the same historical patterns. In other words, how would both so-called economic recovery and recovery from the pandemic be carried out under the historical contradictions of capital in the coming years? The pressure that both global corporate profit and the US rate of profit were undergoing way before the global pandemic is well depicted by figures 4 and 5.

The so-called recovery from the 2008 financial crisis is false. As many have pointed out, the peak of the recovery is well below the pre-Great Recession's peak while the rate of global corporate profit hit a negative trend in December 2018 and further plummeted due to the economic consequences of the global pandemic. As Roberts pointed out the pandemic slump has driven global corporate profits down by around 25% in the first half of 2020 – a bigger fall than in the Global Recession (Roberts, 2020).

Similarly, the US ROP% at both historic and current cost measures indicates that it never recovered from the Global recession even though the capitalist class was supplemented by stimulus packages, austerity measures and tax cuts under different political regimes. Will the recent plummeting of ROP and deepening crisis of neoliberal state of the US be supplemented by any

historically-different methods of recovery or by the same? Furthermore, whose voice will be heard?

Conclusions

The current global pandemic had pushed global corporate profit of the G7 and G20 economics, including, US, UK, Germany, Japan and China to further downfall. However, as mainstream economists argue, the pandemic was not the cause of the current crisis but, in many ways, it triggered the unrecovered long recession of the global financial crisis of 2007-2008. The unparalleled importance of economic categories by Marx and his long view, especially articulated under the law of the tendency of the rate of profit to fall, can be validated both theoretically and empirically. Roberts' analysis demonstrates that the long-term decline in profitability (1950-2017) is matched by a long term rise in the organic composition of capital, where constant capital occupies the largest and increasing production share while the global working class is pushed into further immiseration; as an inherent need of capitalist global competition, as Marx well-predicted. Any crisis is a historically significant moment to learn and struggle against the bondage of dominance. The 2008 financial crisis helped to revive the global left and Marxism to some extent. However, the real political possibilities were subsumed under the liquidity of global finance, dispossession, austerity and militarism – in other words, further intensification of neoliberalism. This study attempts to demonstrate that the same process could be repeated as a prescription of recovery to the current crisis which was triggered by the pandemic. The global south and the global working class will have to be vigilant about the intensification of neoliberal recovery methods that are yet to come and organize against the capitalist atrocities.

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Appendix

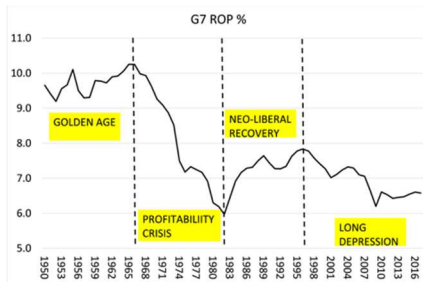


Figure 1

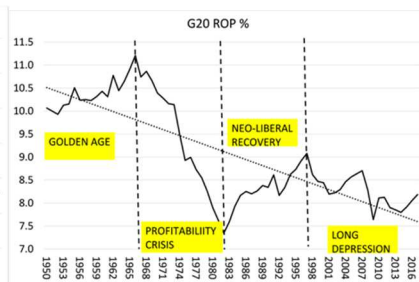


Figure 2

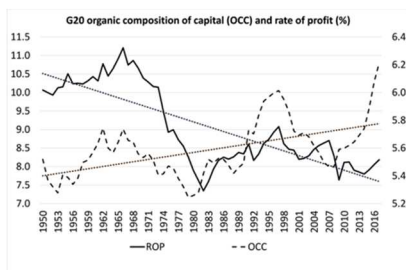


Figure 3



Figure 4

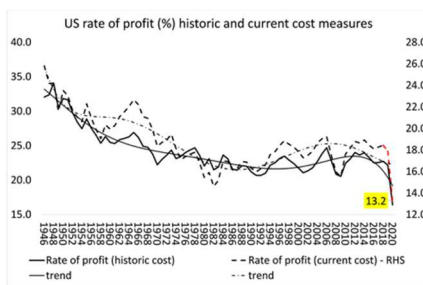


Figure 5

	ROP	OCC	ROSV
1950-17	-18.7	12.6	-8.4
1950-66	11.3	4.0	15.7
1966-82	-34.5	-5.6	-38.1
1982-97	23.6	11.0	37.2
1997-17	-9.9	3.4	-6.8

Table 1

Source: All the above figures and tables were calculated by Michael Roberts using Penn World Tables.