



Marxist Crisis Theories

Hasan ISLATİNCE¹

Keywords

Crisis, surplus value, rate of surplus value, tendency of the rate of profit to fall, disproportionality, underconsumption..

Abstract

The fundamental contradiction of capitalism is the contradiction between the private ownership of the means of production and the social character of production and the productive forces. The stability and self-sufficiency of capitalism has been debated since its inception. Marxists have not been able to put forward a common theoretical basis for the phenomenon of crisis and have periodically offered different interpretations of various crises in the history of capitalism. Other than the law of the tendency of the rate of profit to fall, there are two other explanations for crisis in the Marxist tradition: "the theory of underconsumption" and "the theory of disproportionality". The objective of capitalists is to maximize profits, and to that end, they seek to continuously increase capital accumulation. Increases in capital accumulation lead to an increase in the demand for labor and thus wages, and a decrease in the reserve army of the unemployed and thus in profits. The increase in wages cause capitalists to substitute physical (fixed) capital for relatively expensive labor, leading to an increase in capital accumulation, which in turn leads to a further fall in profit rates. According to the underconsumption approach, which was originally proposed by Engels, markets fall short as capitalists try to develop mechanization and productive forces and expand production under the pressure of competition. This view of Engels was the source of the first Marxist debates on the underconsumption crisis theory. In response to these theses, Tugan-Baranovsky argued that the cause of overproduction was disproportionality.

Article History

Received

09 July, 2023

Accepted

23 September, 2023

1. Introduction

The claim that a crisis does not occur due to a systemic failure, as mainstream economics suggests, does not seem to be valid in the context of Marxist crisis theories. It is not possible to claim that there is a complete consensus on the mechanisms that create crises in Marxist crisis theories. The historical debate between those who believe in the transience of capitalism and those who believe in its collapse continues to this day. Thus, it is possible to divide the parties to the debate into two main groups. Those in the first group argue that capitalism does not have the power and capacity to reproduce itself internally, without external (non-capitalist) help, and to reproduce itself in an expanded way. The continuity of capitalism depends on how much and to what extent it is fed by external sources; Luxemburg, which is the position taken by Luxemburg, Tugan-Baranovsky, and

¹ Corresponding Author. ORCID: 0000-0001-8737-0124. Assoc. Prof. Dr., Anadolu University, FEAS, Department of Economics, Eskisehir/Turkey, hislatin@anadolu.edu.tr

Hobson. According to them, capitalism needs non-capitalist societies and geographies. The underconsumption of the capitalist classes forces capitalism to forcibly conquer non-capitalist societies and geographies in order to deplete its accumulated commodity stocks. This was also the birth of imperialism. The second group, who believe that capitalism is unstable and destined for extinction, argue that capitalism is intrinsically capable of reproducing itself in an expanded way, but it is exactly this very dynamism that will create its own contradictions and lead capitalism to its final crisis. All Marxists who embrace the tendency of the rate of profit to fall or profit squeeze belong to this group (Bahçe, p.179).

This study aims to explain the approaches to the occurrence of crisis on the basis of Marx. The phenomena of the tendency of the rate of profit to fall, disproportionality and underconsumption are tools for understanding the phenomenon of crisis. The study first explains the "tendency of the rate of profit to fall" proposed by Marx and then, after explaining the ideas of capitalist underconsumption theorists and Marxist underconsumption theorists under the heading of underconsumption theories, it explains the disproportionality theory and the ideas of its proponents.

2. Marxist Crisis Theories

The idea that the capitalist system is unstable and inherently prone to crises was first explored in detail by Marx. In mainstream economics, crises are treated as "exceptional deviations" and thus crises are considered extrinsic rather than intrinsic (Goda, p. 12). This also applies to the neo-classical school. In the structure of the neo-classical model, equilibrium is theoretically automatic, which means that a crisis is logically impossible, but the claim that the crisis does not occur due to a systemic failure, as mainstream economics suggests, is not accepted in the context of Marxist crisis theories. As a matter of fact, crisis stands out as a structural element in all different branches of Marxist theory and is an inherent element of the dynamic functioning of the capitalist system. It is not possible to claim that there is a total consensus in Marxist crisis theories on what the mechanisms that create crises are. Early Marxist crisis theories were dominated by the overproduction theory and were accepted by the orthodox Marxist understanding. However, after the Second International, especially the criticisms of Bernstein and Tugan-Baranovsky regarding the crisis theory of orthodox Marxism led to the questioning of the Marxist crisis theory. Instead of adhering to the existing theory, orthodox Marxists developed their own explanations for crisis and two main approaches emerged within Marxism. These two different traditions towards crisis are Rosa Luxemburg and the "underconsumption theorists" and the "disproportionality theorists" including Tugan-Baranovski and Rudolf Hilferding. These two traditions of analyzing the processes of capitalist reproduction offered new explanations for the phenomenon of overproduction in crisis theories. The theory of underconsumption, which argues that the capitalist system cannot sustain its growth on its own, dominated mainstream Marxist explanations of crisis theories, especially after the 1920s, when Marxist orthodoxy adopted this theory and characterized disproportionality theory as a social democratic revisionist deviation (Özyiğit & Çelik, p. 15). Marxist crisis theories can, in general,

be analyzed under the headings of "the tendency of the rate of profit to fall", "underconsumption", and "disproportionality theory".

2.1. Tendency of the Rate of Profit to Fall

Bourgeois economics has always claimed that crises are purely accidental and caused by factors such as wage or price fluctuations in an attempt to avoid the fact that economic crises are inherent to capitalist functioning. But these fluctuations are the result, not the cause, of the boom-crisis cycle, and wages and prices are variables that depend on the overall economic trajectory. Capitalism always carries within it the possibility of crisis, which manifests itself in the form of overproduction. It is not some incidental factor that turns a crisis from a possibility into a reality, but some fundamental laws inherent to capitalism. The tendency for the rate of profit to fall plays a central role in the outbreak of capitalist crises (Çağlı, 2020). The goal of the capitalist is to maximize profits, and to that end, the capitalist constantly seeks to increase capital accumulation. Increases in capital accumulation increase the demand for labor and wages rise, and the reserve industrial army shrinks and profits decrease. The increase in wages causes the capitalist to replace physical capital for labor, which becomes relatively more expensive, and to further increase capital accumulation, which results in a further fall in the rate of profit. Competition in the commodity markets also leads to a steady fall in the rate of profit as a result of capitalists' desire to sell goods at lower prices by continuously reducing production costs. In order to reduce production costs, capitalists constantly strive to find cost-reducing production techniques and methods, and this always requires an increase in the accumulation of more technology-intensive capital. However, this process again results in a fall in the rate of profit. The tendency of the rate of profit to fall is due to the increase in the organic composition of capital. The reason for the increase in the organic composition of capital is that companies under competitive conditions introduce new techniques in order to increase labor productivity and as a result reduce commodity prices. Under capitalist competition, the share of variable capital (v) in the organic composition of capital constantly decreases, while the share of fixed capital (c) increases. As a result, residual value, which is the source of profit, decreases, and the decrease in residual value systematically reduces profits (Bell and Cleaver, 2002). The source of surplus value is the difference between the value of the goods that workers manage to produce in a given period of time and the labor power they sell to the capitalist for the production process. In order to understand what surplus value is, one needs to know that since workers cannot afford to accumulate capital goods, they cannot use their own labor power and therefore have no choice but to sell their labor power to employers. The labor power of the worker is bought just like a commodity and the worker is paid the competitive market price of this commodity, i.e. the wage. The goods produced with this labor are sold in the market at the competitive price. Therefore, surplus value does not arise from the purchase of labor power below its real value, nor from the sale of produced goods at their real value. Surplus value is not the product of fraud, nor is it the result of the capitalist's monopoly of purchasing (monopsony). Marx attributes this to the dysfunction of the capitalist order. In order to increase surplus value, the capitalist either tries to increase working

hours or to raise the level of productivity without increasing working hours. The level of productivity depends on the technique of production tools. Extending working hours is not easy. This is both because it is impossible for workers to work for long periods of time below a certain wage level and because working hours are set by law. The machine extends working hours more easily. The second way is to increase productivity. Here the following question may come to mind. Since it is labor that creates surplus value, why does the capitalist prefer the machine to human labor? Because, since working time remains constant and increasing productivity is the only solution, the use of new machinery is the only way to increase productivity. In this case, in a perfectly competitive capitalist system in which fixed capital (machinery) develops at the expense of variable capital (labor), profits will fall again. Then, there will be a race among companies to increase productivity or reduce costs in order to increase profits. This would make new machines more efficient and reduce labor. Thus, the more the capitalist economy develops, the lower the rate of profit becomes. In other words, the development of the capitalist economy in perfect competition leads to a decrease in profits.

Theoretically, increases in the amount of capital have two opposite effects on profit rates; first, increases in the amount of capital lead to a decrease in the rate of profit due to the law of diminishing returns under the *ceteris-paribus* assumption. On the other hand, increases in the amount of capital lead to an increase in the rate of profit as it incorporates new technologies, which in turn leads to productivity gains and cost reductions. The outcome is theoretically uncertain. The realization of Marx's prediction relies on the fact that of these two different and countervailing forces, the decreasing effect of diminishing returns is greater than the increasing effect of technological progress. The insatiability of each individual capitalist for profit is the main cause of the fall in the rate of profit and, according to Marx, the collapse of the capitalist system will occur as a result of the fall in the rate of profit.

2.2. Underconsumption Theories

Proponents of underconsumption see crisis as a natural tendency of capitalism, which is explained by the insufficient demand for consumer goods, which in turn leads to a crisis in the sense that goods cannot be sold at their value and the capitalist makes a loss. In this case, the reasons for the lack of effective demand must be investigated. What is meant by demand is demand that is not sufficient to buy goods at a given rate of profit. The concept of insufficient effective demand or underconsumption is central to this theory. Meghnad Desai defines underconsumption as "the increase and persistence of a decline in demand for consumer goods due to systematic tendencies" (Desai, 1983, 495).

2.2.1. Capitalist Underconsumption Theories

Since the early stages of the capitalist system, overproductionist and/or underconsumptionist theses have also begun to emerge and be discussed to explain crises. The theoretical basis of the classical school's argument that capitalism is a perfect system, that it has mechanisms to eliminate any imbalance on its own, and that it can therefore reproduce itself indefinitely, is Say's law of markets (Saritaş, p. 8). According to this law, since money is only a medium of

exchange, production creates demand for other goods, i.e. supply creates demand, since seller will buy another good with the money they receive in exchange for the good they sell. In this perfect system, a generalized economic crisis is not possible, as there can be no generalized abundance or generalized scarcity. This proposition, advocated by classical and neo-classical economists, also underlies their view of market crises. According to these economists, periods of contraction are accidental processes that can be experienced in individual markets, since a general abundance and excess supply spreading throughout the economy is not possible (Saritaş, p.8-9). According to Say's Law of Markets, crises arising from "general overproduction" are logically impossible: If the economy is out of balance, it will restore itself to full capacity utilization" (Kazgan, p. 94). Ricardo also argued for the impossibility of a "general overproduction" based on Say's law of markets. However, in his major work "On the Principles of Political Economy and Taxation" (1821), Ricardo mentions the possibility of a general overproduction and crises. How could this harmony within the economic system, recognized by Say's law of markets, be disrupted? Ricardo's idea is that a general overproduction is a reflection of strong external influences acting on the economic system. Wars, taxes, changes in tastes and preferences, changes in the profitability of different branches of industry on a large scale and rapidly, can force the economic system into a period of adjustment. But this situation disappears in the long run. What is important here is that Ricardo emphasizes purely external factors as the causes of economic crises. The explanation of economic crises based on external shocks makes a general state of overproduction consistent with the functioning of the economic system (Ekinçi, p. 26). However, despite the views of J.B. Say, who argued the impossibility of a general crisis due to overproduction, T. Malthus, Sismondi and Hobson, who pointed out that capitalism is incapable of consuming the income it produces, can be counted among the most important names of capitalist underconsumption theorists. Malthus approaches the problem from the perspective of effective demand. He relates the amount of production directly to consumption and demand. Effective demand determines consumption and consumption determines production. The consumption of workers is insufficient to meet increased production; since capitalists cut back on their consumption in order to expand production, the necessary demand can only be met by non-productive consumers, that is, the old aristocratic class (Yaman, p. 2). Sismondi, on the other hand, initially adopted Adam Smith's views and argued that a "laissez faire" approach, in which the market mechanism works in harmony and there is no state intervention, would be the best approach to increase the welfare of society. However, he later argued that classical theorists had overestimated the benefits of a free market economy. Sismondi criticized the law of markets and predicted that "laissez faire" policies would result in unemployment and misery for the masses. The market mechanism leads to an unjust and unequal distribution of income and the most important problem in society is how income is distributed. According to him, class conflicts between the working class and the capitalists prevail in social life instead of harmony, and this will intensify as time goes on. Sismondi argued that capitalist society is susceptible to the possibility of overproduction and that this mismatch (imbalance), which can be defined as the excess of total supply over total demand, can be eliminated by limiting total production. Pointing to the

imbalance between production and consumption, Sismondi argued that surplus production occurs and consequently unemployment is exacerbated. According to him, technological progress leads to overproduction in the capitalist system. Another problem in the system is the tendency of wages to gradually decrease due to population growth and the consequent decline in effective demand. Hobson is one of the underconsumption proponents who think and systematize depressions in terms of the production and demand of consumer goods and the relationship between these two.

"If modern industrial society were closely conformable to the economic harmonies [...] the surplus of the fruits of industry should pass to the general body of the working population in their capacity of wage earners and consumers [...] The habitual underconsumption of the workers, due to the massing of unearned or excessive income in the hands of the master classes, has been the plainest testimony to the reality of that antagonism of interests within each nation which is dramatized as "class war" [...] This inherent antagonism of classes contains the seeds of the wider antagonism of states and governments." (Hobson, 1921: 23-26)

Hobson is mainly concerned with the liberal theory of imperialism. He argues that imperialism is not the inevitable result of capitalist production. According to Hobson, imperialism is a reaction to the wrong practices of the contemporary capitalist system; therefore, imperialism and the system can be fixed. Although Hobson believed in the validity of the capitalist system, he was opposed to ignoring the deviations of the capitalist system. He therefore identified a correlation between capitalism and imperialism. According to Hobson, the correlation is the problem of underconsumption. Capitalist powers become imperialist powers because of their tendency to oversave and overproduce. According to Hobson, the real problem is the unusable capital surplus, which is the root of imperialism. Although capitalists are the source of all savings, they cannot invest because of the lack of purchasing power of workers; they cannot find a place to invest their savings. Without sufficient outlets for investment, capitalist societies stagnate. The renewed impulse for colonial occupations becomes a struggle for the monopolization of markets in order to export capital; modern capitalism thus leads to the accumulation of excess savings in the hands of the frugal middle classes. According to Hobson, this is not an inevitable consequence. Imperialism is not a necessary consequence of capitalism: Imperialism is a practical reaction to the poor implementation of the system. It is an imbalance between savings and consumption caused by the unequal distribution of each nation's income, but it is an imbalance that, according to Hobson, has a solution. If the problem is the insufficiency of wages paid for labor, why not increase the share of labor in the profits of capitalists? In this way, there would be no surplus capital and commodities and capitalism would not turn to imperialism, that is, to find other markets for itself. All savings can be consumed within a country if desired; in this way Hobson rejects the view that imperialist expansion is the inevitable result of the search for new avenues for a developing industry. Industrial development does not require the opening up of new markets and areas of investment; on the contrary, it is the misallocation of consumption power that prevents the domestic

consumption of commodities and capital. Hobson's "theory of underconsumption" views imperialism and reform as alternatives and argues that underconsumption can be solved through reform; however, this requires an equal distribution of income. Hobson suggests raising wages and lowering prices, ignoring the fact that capitalism is primarily based on the drive for profit (Bagce, p. 67). For Hobson, imperialism, as Shaikh points out, is the greatest conundrum of underconsumption (Shaikh-1988, p. 140).

2.2.2. Underconsumption among Marxists

The "Marxist approach to underconsumption" has its roots in the work of Engels entitled *Anti-Dühring*. In said work, Engels criticizes Dühring for his treatment of crises as "deviations from the norm", stating that crises arise from the anarchic nature of production and are inherent to capitalism, not accidental phenomena. As capitalists, under the pressure of competition, try to develop machinery and productive forces and expand production, markets are insufficient. This view of Engels was the source of the first Marxist discussions on the underconsumptionist crisis theory (Saritaş, p. 17).

In the Marxist tradition's underconsumptionist explanation of crisis, the wages paid to laborers as a factor of production of capital create the demand for consumption goods, while other portions corresponding to surplus value are utilized in various ways. Some of the surplus value becomes the demand for investment goods in order to renew the means of production, while some of it is allocated to the employers' demand for consumption goods. However, a significant portion of surplus value still remains as surplus production. This, i.e. the inability to match total demand to total supply, constitutes the basis of the theories of underconsumptionism as "insufficient demand". Accordingly, insufficient demand for manufactured goods or relative surplus production constitute the conditions for the outbreak of crises. Even though the market economy can solve this problem through mechanisms that create additional demand, underconsumption can constantly create this problem as one of the general tendencies of capitalism.

2.3. Criticism of the Underconsumption Theory: M. Tugan-Baranovsky and Rudolf Hilferding: (Disproportionality Theory)

The textual source of the disproportionality approach is Marx's formulation of reproduction schemes. When the second volume of *Capital* was published in 1885, populist Marxists in Russia were arguing from an underconsumptionist perspective that the development of capitalism in a country was impossible without a foreign market. The argument was roughly based on the following observations: the engine of capitalism and the purpose of production is consumption, and capitalism cannot develop in only one country because the anarchic structure of the economy and the inadequacy of the wages received by workers would create a lack of demand, especially in the sense that consumer goods could not be consumed. Against this dominant view, the contributions of a group of Marxists, notably Lenin's "The Development of Capitalism in Russia" (1899), not only proved the rapid expansion of capitalism in Russia, but also reminded us that the engine of capitalism is not consumption but profitability. It was against this atmosphere of politically charged theoretical debate that **Tugan-**

Baranovsky, the most prominent theorist of the disproportionality approach, argued that the crises of capitalism stemmed from the mismatch (disproportionality) of growth rates between Segment I (**means of production**) and Segment II (**consumer goods**) in Marx's reproduction schemes, which could arise due to the anarchic nature of production (Tonak, p. 199-200). Tugan-Baranovsky draws the conclusion that if a proportional relationship is established between the various branches of production, capital will not face any problems in achieving increased production. If social production is organized proportionally, there is no limit to the development of the market except the existence of productive forces. While Tugan-Baranovsky attaches an indirect importance to consumption through the production-consumption relation, he believes that production is the determinant and that capitalist production creates the market that enables consumption. According to Tugan-Baranovsky, crisis should be sought not in the axis of underconsumption, but within production itself, taking into account the production-consumption relation. Overproduction is caused by a disproportion between the two segments of expanded reproduction that produce production goods and consumption goods. If the surplus value added to capital within the framework of the scheme of expanded reproduction is not distributed properly between different industries and sectors, the result will be a crisis; if the increase in capital is divided in the right proportions, there will be no crisis. In Tugan-Baranovsky's theory, crises can be ignored because, even if the ratios are distorted in the area of production, these ratios are constantly reestablished through price movements and various deviations on average (Özyiğit & Çelik, p. 8). According to him, the argument that 'proportions' are more or less preserved is evidenced by the fact that the capitalist economy is continuing strongly (Luxemburg, p. 240). After all, according to him, the collapse of capitalism is never an economic necessity (Sweezy, p. 288). **Rudolf Hilferding** reiterates Tugan-Baranovsky's criticism by stating that underconsumption is a special form of disproportionality. Among the underconsumptionist Marxists of his time, he developed a crisis theory of disproportionality. His analysis focused on the function and importance of trusts, cartels and credit and financial institutions. Before explaining Hilferding's thesis, we need to summarize Marx's thoughts on the development of the capitalist system. According to Marx, the capitalist system was based on a high degree of competition in most industries in the early stages. However, this was bound to change. Because profit rates would tend to fall with the increase in capital. This would lead to larger-scale mergers, referred to as "capital concentration". At the same time, there would be a concentration of capital stocks, and small capital businesses would be swallowed up by big capital. Marx called the tendency towards fewer and fewer competitors the "centralization of capital". This means fewer competitors on a very large scale. Competitive capitalism at this point would transform into monopoly capitalism (Cohen, p. 44-45). Building on this analysis, Hilferding stressed the concentration and centralization of capital and the role of banks in financing industrial growth. Hilferding believed that there was a tendency towards centralization in banking due to some technical bank transactions, which was reflected in the relationship of the industrialist with the bank. This is because in previous relationships, the industrialist often used bonds as a means of payment or as a means of securing

commercial credit. Therefore, the institution providing the loan did not have the opportunity to intervene in the affairs of the borrowing company in a planned manner. In such a relationship between the bank and the industrial company, the legal authorities of the bank did not go beyond the credibility of the borrower and the discount gains. However, the role of the bank as a lender turns into that of a share issuer with the concentration of bank capital. Therefore, since they will have generated the most profit by issuing stocks, the big banks unquestionably have the upper hand over the industry. According to Hilferding, it is the amount of capital that determines which entrepreneur will be more dominant in the interdependent relationship between capitalist entrepreneurs (Sunar, p. 65). Thus, representatives of banks began to sit in the executive seats of industrial firms, and industrialists in the seats of the executive boards of banks. Hilferding explained this rapid spread of monopoly and the radical transformation of capitalism in different sectors of the economy by the changing role of banks. Banks were pioneers of monopolization. Because of their control over the sources of credit, banks were able to set the direction of industrial development and to ensure the development of trusts and monopolies, as well as to dominate them. Thus, banks came to play a dominant role within the capitalist class. According to Hilferding, monopoly capitalism led to the stage of finance capital. Hilferding refers to finance capital as that controlled by banks and used by industrialists. Since banks are more interested in money than in commodities, they are more interested in the profit share than in the market; they want the highest possible profit for their capital. As profit rates in their home countries tend to fall over time, "finance capital" turns its attention abroad. The new imperialism is a natural consequence as each country seeks to establish external spaces for its national investments (Cohen, p. 45-46). We can infer from Hilferding's theory that the collapse of capitalism will be due to political and social conditions rather than economic factors. This is because the economy is becoming increasingly socialized, supported by a greatly increased role of the state. Hilferding believes that the monopolies and cartels that emerged with the development of the interventionist state brought a degree of regulation and planning to the economy (Hilferding, 1981: p. 406). Therefore, since the anarchic character of capitalist society, which makes it difficult for it to rationally and consciously address a social problem, will be eliminated in this way, the emergence of finance capital and monopolies will lead to a strengthening of capitalism, not a collapse.

Tugan-Baranovsky and Hilferding, as well as many "disproportionality" theorists, overlook the fact that Marx's schemes of reproduction highlight not proportionality (balance) between the two sectors in capitalist reproduction, but disproportionality (imbalance) due to the nature of capitalism. Marx's emphasis here was that if there is to be a balance in capitalist reproduction, it can only be a "balance of imbalance". "Disproportionality" theorists, while trying to analyze the contradictions and crises that reveal the relativity of capitalism and lead it to its own downfall, have had the misfortune to come to the conclusion that capitalism can be a system that eliminates crises and can reproduce itself in an absolutely trouble-free (crisis-free) manner if it can be organized and structured (Özyiğit & Çelik, p. 8). **Rosa Luxemburg** devoted a large part of her work to analyzing the conditions of accumulation and reproduction in a capitalist economy in order to

better understand imperialism. Thus, it would be possible to show the relationship between capitalism and imperialism and that the motive of imperialism is the process of capital accumulation (Sunar, p. 72). Luxemburg distinguished between internal and external markets and defined these markets as follows: The internal market is the capitalist market where production buys its own products and supplies its own elements of production. The external market, on the other hand, is the non-capitalist environment that provides capitalist means of production and labor that absorb the products of capitalism. Luxemburg points out that as a result of this distinction, capitalist countries become both more dependent on each other, providing each other with larger markets, while at the same time competing fiercely with each other for trade relations with non-capitalist countries. If the whole world is divided between different capitalists, then war for expansion is inevitable. For this reason, Luxemburg calls imperialism a period of "wars and revolutions" (Luxemburg, 1963: p. 186-187). Therefore, according to Luxemburg, capitalist expansion into non-capitalist territories is not only a means of further accumulation, but also a necessary and indispensable condition for the survival of capitalism. Therefore, seeing imperialism as the "final stage" of capitalism brings extremely important insights in making sense of what is happening in the world. Luxemburg draws the conclusion that imperialist competition prepares the collapse of non-capitalist civilizations, but at the same time "imperialism is as much a historical method for prolonging capital's existence as it is the surest way of setting an objective limit to its existence as fast as possible" (Luxemburg, 1986: p.343). Contrary to Hobson's views explained earlier, Luxemburg states that reform is impossible; according to her, underconsumption is inevitable. The main problem of capitalism is the lack of effective demand. If workers lack sufficient purchasing power and capitalists limit the consumption of surplus value in order to accumulate more capital, how can the system continue? According to Luxemburg, workers' wages cannot be expected to rise, nor can capitalists be expected to reduce their investments. The problem of overproduction thus becomes chronic. Capitalism fails to create a market for itself within its own framework. The only solution is to look for markets elsewhere. The system can expand only if surplus production is sold abroad to non-capitalist countries, but can foreigners fill the gap with effective demand? The capitalists will provide the processed products; others will provide cheap food and raw materials. The non-capitalists will not want to enter into such a relationship because they have no interest in it. The capitalists then control others and force them to trade with them. Colonial invasions must be pursued if capitalism is to survive and overseas empires are created to ensure this overproduction (Bagce, p. 69-70).

2.4. Sweezy and Crisis

Sweezy argues that crisis is explained by the confusion caused by differences in supply and demand and the prices of commodities differing from their values, and that although this exacerbates crises, it alone would be insufficient to explain crises. Thus, he concludes that disproportionality cannot explain crisis and focuses on the causes of underconsumption. He tries to prove that, according to the underconsumption theory, the production of consumer goods tends to grow faster than the demand for these goods within the framework of the capitalist

organization of production. He argues that the link between potential supply and potential demand is disrupted in this organization. This manifests itself in two ways: First, supply exceeds demand due to capacity expansion in a way that disrupts the level of profits and prices in the case of equilibrium with demand. From this point of view, either the production of consumer goods will create additional capacity or both will decrease. This tendency manifests itself in the form of a crisis. Second, there are unused, unexploited production resources that provide additional capacity. In this case, the tendency is not crisis but stagnation. The case of underconsumption is therefore functional in explaining the process of crisis and stagnation. Underconsumption is treated as a fundamental tendency of capitalist production. The questions of who will buy the products produced and how, and whether all consumer goods will find buyers are discussed. The reason for asking these questions is that the vast majority of consumers are workers, who can only buy the portion of the social product that corresponds to their wages. Capitalists, on the other hand, cannot spend all the surplus value they confiscate on consumption, because a large part of the surplus value confiscated in capitalist production has to be reinvested as capital, in other words, it requires expanded reproduction (Saritaş, p. 19-20).

3. Conclusion

Crisis stands out as a structural element in all different branches of Marxist theory and is an inherent element of the dynamic functioning of the capitalist system. Although Marx clarifies the nature of the system and the crisis mostly through the tendency of the rate of profit to fall, he seems to prefer an explanation with multiple causes rather than a single cause in understanding crisis. In terms of other theorists, Tugan-Baranovsky and Hilferding associate the occurrence of crises with the disproportionality approach, and Luxemburg with the problem of the realization of surplus value without ignoring the tendency of the rate of profit to fall. Sweezy mostly interprets the phenomenon of underconsumption as the cause of crises. Shaikh points out that Marx, in analyzing the laws of motion of capitalism, distinguishes between the prevalent tendencies in the functioning of the system and the secondary tendencies that oppose them; the prevalent tendencies originate from the system's own dogma and move it with a strong momentum, while the others can only move within the limits set by the prevalent tendencies. Shaikh argues that the tendency of the rate of profit to fall corresponds to this prevalent tendency, while the underconsumptionist theory tries to explain crisis with other secondary tendencies. Indeed, we see that the underconsumptionist approach fails to establish a systematic structure to explain economic crises. Let us take a look at E.O. Wright's approach to the theory: "The most serious weakness in the underconsumptionist position is that it lacks any theory of the determinants of the actual rate of accumulation... I have not yet seen an elaborated theory of investment and the rate of accumulation by a Marxist underconsumptionist theorist, and thus for the time being the theory remains incomplete" (Wright, p. 201). In summary, underconsumption cannot be seen as a dynamic of the capitalist mode of production. Therefore, a theory based on underconsumption will not be helpful in explaining capitalist crises. Marx's 'Law of the Tendency of the Rate of Profit to Fall' should be the starting point of a more holistic theory to explain

crises. In conclusion, the analysis of the system and crisis by post-Marx theorists largely remains within Marx's construct, and therefore Marx himself seems to ensure the valid contemporary relevance of his idea.

References

- Akçay, Ü. & Güngen A. R., (2014), Finansallaşma, Borç Krizi ve Çöküş, Ankara, Notabene Yayınları.
- Aydın, Y. & Aram, S., (2018), Konjonktür Ve Kriz Teorileri: Marx, Keynes Ve Schumpeter, Nişantaşı Üniversitesi Sosyal Bilimler Dergisi 6 (1)
- Bagce, H. E., (2003), Emperyalizm Kuramları ve Amerikan Kamu Diplomasisi, I.Ü. Siyasal Bilgiler Fakültesi Dergisi, No:28
- Bahçe, S., (2011), Kapitalist Kriz ve Sosyalist Mücadele: Çöküş Teleolojisinin Çöküşü, mülkiye 2011 Cilt: XXXV Sayı:271
- Beli, P. & H. Cleaver., (2002). "Marx's Theory of Crisis as a Theory of Class Struggle", https://www.researchgate.net/publication/246771683_
- Bhaduri, A. & Marglin, S., (1988), "Profit Squeeze and Keynesian Theory", Wider Working Papers 39.
- Çağlı, E., Kriz Kapitalist İşleyişin Kaçınılmaz Ürünüdür /2 <https://marksist.net/elif-cagli/kriz-kapitalist-isleyisin-kacinilmaz-urunudur-2>, erişim tarihi, 20/07/2023
- Charchedi G., (1991), Frontiers Of Political Economy, Verso, New York.
- Cohen, B. J., (1973), The Question of Imperialism: The Political Economy of Dominance and Dependence, (New York: Basic Books, Inc., Publishers).
- Desai, M. (1983), 'Underconsumption', A Dictionary of Marxist Thought, Ed. T. Bottomore, L. Harris, Kiernan, V.G, Miliband, R. Blackwell Publisher, .Oxford.
- Ekinci A., (2006), İktisadi Dalgalanmaların Kavramsal Ve Teorik Analizi, Karadeniz Teknik Üniversitesi, Sosyal Bilimler Enstitüsü, Yüksek lisans Tezi,
- Goda, T., (2013), "The Role Of Income Inequality In Crisis Theories and In The Subprime Crisis", Post Keynesian Economics Study Group Working Paper 1305.
- Hilferding R., (1981), Finance Capital, London: Routledge & Kegan Paul.
- Hilferding, R., (1995), Finans Kapital, Çev. Yılmaz Öner, İstanbul: Belge Yay.
- Hobson, J. A., (1921), Problems of a New World, (London: George Allen &Unwin Ltd).
- Kazgan, G., (1997), İktisadi Düşünce veya Politik İktisadın Evrimi, Remzi Kitabevi, İstanbul.
- Luxemburg, R. (2004). Sermaye Birikimi (Çev., T. Ertan) İstanbul: Belge Yayınları.

- Luxemburg, R., (1986), Sermaye Birikimi, (çev., Tayfun Ertan). Alan Yayıncılık, İstanbul.
- Luxemburg, R., (1963), Accumulation of Capital, Tr. Agnes Schwarzschild, London: Routhledge, (1913)
- Özcan, Ç., (1999), İktisadi Bunalım Kuramları Ve Yeniden Üretim Süreci, Marmara Üniversitesi Sosyal Bilimler Enstitüsü İktisat Anabilim Dalı İktisat Teorisi Bilim Dalı, Yüksek Lisans Tezi, İstanbul
- Özyiğit M. & Çelik, A., (2020), Kriz Teorilerinin Krizi, <https://www.researchgate.net/publication/340731977>
- Sarıtaş, S., (2011), Kriz Teorileri Doğrultusunda 2008 Krizinin Değerlendirilmesi, İstanbul Üniversitesi Sosyal Bilimler Enstitüsü İktisat Teorisi Anabilim Dalı, Yüksek Lisans Tezi, İstanbul.
- Shaikh, A., (1978), Kriz Teorilerinin Tarihi, Dünya Kapitalizminin Krizi, Belge Yayınları.
- Shaikh, A., (2009), "Bunalım Kuramlarının Tarihine Giriş", Dünya Kapitalizminin Krizi, Der: Nail Satlıgan Ve Sungur Savran, Belge Yayınları,
- Shaikh, A. (1988), Dünya Kapitalizminin Bunalımı, Alan Yayıncılık - İstanbul; Der:Nail Satlıgan ve Sungur Savran
- Shaikh, A., (1978), "An Introduction to the History of Crisis Theories", Union of Radical Political Economics (der.). U.S. Capitalism in Crisis, URPE, New York.
- Sunar, L., (2004), EMPERYALİZMİ ANLAMAK: TEORİK YAKLAŞIMLAR, Yıldız Teknik Üniversitesi Sosyal Bilimler Enstitüsü, Siyaset Bilimi Ve Uluslararası İlişkiler Anabilim Dalı, Yüksek Lisans Tezi, İstanbul
- Sweezy, P., (1970), Kapitalizm Nereye Gidiyor? (A. B. Kafaoğlu, Çev.). ...: Ağaoğlu Yayınevi.
- Tonak, E.A., Kâr Oranının Düşme Eğilimi Yasası Üzerine, <https://www.academia.edu/37261551/>
- Yaman, Ö. M., (2008), Geç Kapitalistleşme Sürecinde Kriz: Türkiye 1979 Krizi, Sosyal Araştırmalar Vakfı Yayınları, İstanbul.
- Yaman, M., (2000), Eksik-Tüketimci Kriz Kuramı, Marmara Üniversitesi, Yüksek lisans Tezi, İstanbul.
- Wright, E. O., (1988), Bunalım Teorisinde Almaşık Perspektifleri, Dünya Kapitalizminin Bunalımı, (Der. Nail Satlıgan & Sungur Savran),

© Copyright of Journal of Current Researches on Social Science is the property of Strategic Research Academy and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.