The Further Adventures Of Crisis Capitalism...

(snapshots of the present and coming crisis)

"You observe this convenient bridge over the slough of crisis. We obtained a sufficient foundation for it by throwing into the slough old editions of economics texts, volumes of French post modernism, World Bank development reports and the University of Chicago's Complete Works Of Milton Friedman; blogs, articles, and videos of modern pundits; extracts from Walras, Ayn Rand, and various Buddhist gurus together with a few ingenious commentaries upon texts of Marx – all of which by some scientific process, have been converted into a mass like granite. The whole bog might be filled up with similar matter.

"It really seemed to me, however, that the bridge vibrated and heaved up and down in a very formidable manner; and, in spite of Mr. Smooth-It-Away's testimony to the solidity of its foundation, I should be loath to cross it in a crowded omnibus, especially if each passenger were encumbered with as heavy luggage as that gentleman and myself...." (text after Nathanial Hawthorn's ***The Celestial Railroad*****)**

Present day social relations are roiling, shaking and howling. The notable achievement of humanity in these conditions so far has been our ability to still feel that life remains normal. When the trajectory of this careening vehicle takes a steep dive, there is panic, but once things return to a semblance of normalcy, we can with relief forget our worries.

The last issue of this occasionally published magazine was five years ago. *"The Return Of The Crisis"* was the main article. Since that time, the crisis seems to have grown in the direction we sketched. *"The Return Of The Crisis"* analyzed the instability of modern capitalism in terms of ideological distortion, declining rate of profit, Ponzi finance and untouchable rackets ("leviathan industries"). All of these things have come into play much more actively than in the unsettled conditions after September 11th.

Now that the bubble has been discredited, at least for a little while,

Executives clean out their offices at failed Leman Brothers

mainstream journalists have provided us with many concrete details about the crisis-producing dynamics whose logic I previously sketched in rather general terms.

I am satisfied with *"The Return"* as a rough statement of the crisis dynamics which this society seems to have entered. In this further report, I aim to highlight, and somewhat update its points, certainly gloating just a bit about how the mainstream first refused to acknowledge the slightest problem but now writes pieces that are both intentionally and unintentionally instructive.

From mortgage bonds to CDO's to CDS to what-all, the *credit derivatives* of early 2000's Wall Street have the quality of American cars from the 1970s. Powerful but poorly constructed engines are married to over-built chassis adding up to one unsafe ride.

The entire circus of credit derivatives involved and still involves complex agreements between large corporations, governments and other investors. Since the agreements can be more or less anything ("pay me one millions dollars if the price of oil goes up or if it rain in China..."), we can't a technical summary of all their implications (and generally, neither can even the people investing in them). What should be clear is that they involves a decision on the part of the ruling class to move the very process of resource allocation into an image cloud. The survey below is thus intended to give the flavor of the circus rather than a complete analysis (also consult last issue's "The Return Of The Crisis")....

For five years, [David X] Li's formula, known as a Gaussian copula function, looked like an unambiguously positive breakthrough, a piece of financial technology that allowed hugely complex risks to be modeled with more ease and accuracy than ever before. With his brilliant spark of mathematical legerdemain, Li made it possible for traders to sell vast quantities of new securities, expanding financial markets to unimaginable levels. Wired Magazine (http://www.wired.com/techbiz/it/magazine/17-03/wp_quant)

Wired Magazine naturally mentions that many authorities warned that the formula could not be safely applied to investments. However, the need of Wall Street to market derivative products took precedence over these arguments.

The individual water molecules in a glass of water move in a random but *uncorrelated* fashion. Each molecule's chance of moting is unrelated to that of the others'. The sum of this uncorrelated randomness is the fairly predictable behavior of liquid water. Over the last 20 years, Wall Street produced a complex arrangement of investments resting on the fiction that markets could be reduced to the kind of randomness that exists in a glass of water.

David Li's Gaussian copula function gained further ideological force through a floridly false but appealing assumption: it assumed that the correlation between different default rates could be more or less exactly calculated by looking at the past correlation of their prices. This dovetailed with the neoliberal ideology of efficient markets which dominated the entire capitalist class and so it was a perfect accelerator for the process of selling immensely profitable garbage.

What is amazing is the degree to which Bernanke has been unable to process what has happened over the last year and a half. It isn't simply that he is trying to restore the status quo ante; he seems to see the only possible operative paradigm as the status quo ante. Worse, he has a romanticized view of it too. Yves Smith "When Does Faith in Financial Engineering Wane?"

Listening to two interviews with former World Bank Chief Economist Kenneth Rogoff, (at http://www.onpointradio.org/shows/2007/11/wheres-the-economy-headed and http://www.businessinsider.com/henry-blodget-rogoff-the-worst-is-over-are-you-kidding-2009-3) one can find a fascinating study in contrasts. In the second interview, this alleged expert in finance not only expresses pessimism concerning any solution to the crisis but also expresses anger at those who led the US to engage in dubious financial engineering for an extended period of time. In the first, earlier interview, he himself relentlessly pushes the view that the US is absolutely and fundamentally healthy and the strategy of financial speculation is a natural part of economic development. While Rogoff, in the first interview, calls the American Economy fundamentally healthy, in the second interview he says "The big problem that they can't figure out how to solve is that while we were sleeping, they let this banking [system] grow and grow and grow and they provided these guarantees and said not to worry..." and describes himself as angry.

There were always two problems with CDO's**. First, there was no obvious way for credit derivatives to settle; the process of bankruptcy was sufficiently fuzzy and differed sufficiently from case to case that there was no watertight way of calculating when credit derivative buyers should be paid and how much. Second, the credit exposure taken on through trading credit derivatives was huge; the cash flows were hugely asymmetrical, with a certainty of modest annual payments going in one direction and a low probability of a massive cash settlement in the other. In that sense, they were like life insurance policies, but life insurance policies where the sum assured was not hundreds of thousands or a few million, but hundreds of millions or even billions. Those problems were never solved. Instead, from the middle 1990s, a market grown crazy through never-ending expansion and excessively cheap money simply started trading credit derivatives without solving the problems underlying them. Martin Hutchinsen Of Prudentbear.com (http://prudentbear.com/index.php/commentary/bearslair?art_id=1019)**

And the inferiority of the "products" has come home to roost for the investors:

But while investors tally the losses that were generated by loose lending so far, the impact of another lax practice is only beginning to be seen. That is the big banks' minimalist approach to meeting legal requirements — bookkeeping matters, really — when pooling thousands of loans into securitization trusts. Gretchen Morgenson (http://www.nytimes.com/2009/03/01/business/01gret.html?ref=business)

All of this has created a situation of both immense loss to investors and immense uncertainty as to where these immense losses reside. This creates an unwillingness of investors to invest in any financial instrument – until the Fed offers blanket guarantees for such investments. Of course, when the Fed offers this "backstop," it means investors can stop caring about fraud or the productivity of their loans at all. The Fed has attempted to address this problem but herding investors towards "productive" investment is akin to herding cats.

As Warren Buffet writes about one of his stable of companies:

Clayton's lending operations, though not damaged by the performance of its borrowers, is nevertheless threatened by an element of the credit crisis. Funders that have access to any sort of government guarantee — banks with FDIC-insured deposits, large entities with commercial paper backed by the Federal Reserve, and others who are using imaginative methods (or lobbying skills) to come under the government's umbrella — have money costs that are minimal. Conversely, highly-rated companies, such as Berkshire, are experiencing borrowing costs that, in relation to treasury rates, are at record levels. Moreover, funds are abundant for the government-guaranteed borrower, but often scarce for others no matter how creditworthy they are. Warren Buffet http://www.businessinsider.com/warren-buffett-explains-how-the-bailout-is-crushing-healthy-companies-2009-3

Thus giving credit to private investors by no means guarantees that these private investors will use it to "help the economy" since these same investors still fear the manifold uncertainty of the credit mess and thus gravitate away from those companies not guaranteed by the state. Even among the ostensibly radical, there is an unfortunate tendency to accept the point of view of standard economics, beginning with the idea that to understand a situation , a pundit must be able to offer policy makers a way out of the situation.

Revolutionaries have to take the opposite position. We just aren't offering any rational step forward for the capitalist class and given the present mess, it is hard to see any such rational steps for the economy. Certainly, it seems more likely that things will follow the trajectory they followed most noticeably over the last ten years; simulating recovery through more and more irrational (meaning unsustainable) steps.

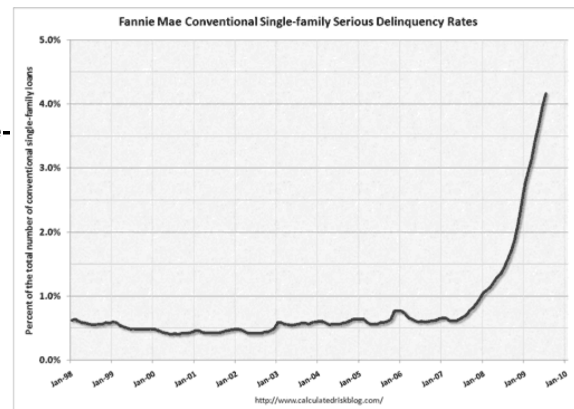
Debates within the anti-state communism milieu can be equally instructive:

"It's a huge oversimplification to say that the policy that got them into this mess was the massive resort to credit. What got them into this mess was subprime lending on the basis of a housing bubble and the repackaging and spreading out of collateralized debt obligations and mortgage-backed securities. Credit as such was not the problem.

"The Federal Reserve is hoping that this is a crisis of liquidity and not a crisis of solvency. If it is the former, it is likely that the federal government will be largely paid back, or perhaps even turn a profit. (Most analysts that I've read think that this is the case with AIG.) If it is the latter, then the crisis will still be averted but the state will take on a massive amount of debt. It is impossible to know which it is at the moment, since we don't know what's on the books of these enterprises. (Even they largely don't know.)"

Poster "Mikus" on the libcom BBS (http://libcom.org/forums/news/economic-crisis-18122007?page=12)

"The Federal Debt is still less than 40% of US GDP, which is comparatively low both by international and historical standards ... In short, then, although the rate of increase of indebtedness in the US economy over the past four years is no doubt of some concern, the American economy is still financially sound". *Aufheben Magazine,* **issue #14, p 11, dated 2006.**



Aufheben is in many ways the most respected English language magazine in the "Anti-State Communist" milieu. They produce long, well researched articles which tend to take a sensible middle ground position within the debates of non-Leninist Marxists. One would tend to blame their obliviousness to the gathering financial storm on the urge to deal with questions in a measured, reasonable way. Such urges miss the fundamental nature of what is now labeled the economy. On the historical scale, we are in the middle of a wild transformation of human activity on the social, economic and biological levels. Aufheben's faulty judgment was based on using both the criteria and the measurements of mainstream economics. The reality is that the US GDP's apparent growth and the major corporations' apparent profits came from the growth of financial assets while these financial assets grew under the radar via the derivative-based Wall Street financing system.

Certainly, as children of capitalism, for all of us it is easy to take the ready-made categories of this social system as given. Yet the key to understanding this society's transformation is to see the opposite: how capitalist society corrodes the very basis of its own categories. Brick by sensible brick, *Aufheben* built a wall against any position which places the subjective first and instead simply recommends a nod to the subjective before going back to politics, which make it the caboose of the left. I have had friendly relations with the *Aufheben* people and this statement isn't intend to vilify them. We are in a quandary – the critical position of Theorie Communiste or the Situationists demands an overthrow of ordinary social relations, something that we indeed generally fall short of. But a contemplative position simply gradually loses touch with the critical transformation of reality. Certainly, I don't mention *Aufheben* out of dislike or even simply because they are well known. I mention them for their very sensibleness and intelligence. And the point is that the present world has exceeded the bounds of the sensible.

Structurally, the crisis stems from dynamics that have been quantitatively described by quite a number of commentators in varying levels of depth. However, to understand its apparently immediate onset, one needs to also understand the spectacular distortion field which gives capitalist society its apparent normalcy. Those who are sensible defer to the experts of one or another fields of study. My friends (not said sarcastically, I met the collective a few years ago) at *Aufheben* are competent to understand that capital contains a structural crisis but defer to the US statistics bureau for figures concerning current conditions. The problem is that the lies of the US state are part and parcel of the crisis of capital and one can hardly believe one but not the other. The entirety of beliefs outside the spectacle, "outside the mainstream," are generally taken under the terms of "conspiracy theory" and rejected out of hand. Of course, to reject the standard line is not to embrace any particular other line.

"The Return Of The Crisis" detailed the unity of spectacular dynamics and crisis dynamics. All of these notes only expand the process.

Cycles In Cycles

Start with any given current. To even remotely understand the financial market conditions that determine its context - the conditions of today's economy - you need to correct for the distortions which twenty years of speculative finance have overlaid on what was previously a more standard system. Yet even this correction itself is trivial compared to the many distorting lenses which previous modernizations, adulterations, collective defeats, reactionary reforms and so-forth have imposed on what we modern proletarians might call our lives.

It is natural for the human mind to extrapolate a given trend linearly. Yet to begin to have a handle on the conditions of today, we must consider a multidimensional space in curved, non-Euclidean geometry. Let us pretend, if only for a moment, that we are unbiased observers, unconvinced either way of the need for class struggle, for the overthrow of capitalism or for any particular political action. What are the key facts which we might first look to for understanding humanity's current situation?

Well, one unifying characteristic of many present day life phenomena is exponential growth. This includes - at the minimum - production, population, information processing, the size and cost of disasters, and the levels of pollution. From whatever viewpoint one might view these things, one can expect that they will not continue. The exponential growth of Bernard Madoff's funds offers a clear if simplistic picture of these limits.

All the different scales that we can view these growth processes on are significant. Human biological growth has been exponential for many years but this persistence has now brought it up to the level where it influences and can obliterate all life on earth. Agriculture and industry have each taken off on this ride.

Today's crisis of capital is also a crisis of non-human life, a crisis of agriculture, a crisis of population, a crisis of energy, a crisis of society and so-forth. The human ability to substitute learned social behavior for innate biological behavior has been a driving force for the "domination of nature" even before the start of human civilization. This process switched into higher gear when humanity gained the ability to create its means of production. Capitalist society put things into the present overdrive as human labor power became a commodity available for any purpose conceived of by the expanding system.

This explosion of production and exploitation has faced opposition at various levels over the years, notably for us, both self-conscious and spontaneous workers movements of various sorts. Despite this, the level of opposition often seems to be at the level of the sleepwalker. Ostensible opposition today seems to lack the curiosity which Marx, the Surrealists, and the various new areas of scientific study have opened up. The present willy-nilly explosion is also a process of humanity drifting further and further from any unitary mediation of our total activity – the loss of community. Despite this, it seems likely that any escape from this situation involves this rapid transformation itself. Any liberation of the working class must be the act of the working class itself but in the context of its current conditions. Often, the question of a new world is put in terms of whether a universal community is possible given "human nature" or "normal desires" or similar such things. Such questions fail to take into account the continuous transformation of human nature by capital's accelerating transformation of this world. In this sense, any revolution will be an economic, a social, environmental and a biological revolution. Here, again, we understand why every aspect of life seems to be in crisis.

Despite, or even because of the likelihood that the processes of this dynamic will drive the most immediate change, I would like to paint a picture of the present whirlpool at the most abstract level....

Crisis Theory Reloaded:

The weakness of Marx's theory is naturally linked to the weakness of the revolutionary struggle of the proletariat of his time. The German working class failed to inaugurate a permanent revolution in 1848; the Paris Commune was defeated in isolation. As a result, revolutionary theory could not yet be fully realized. The fact that Marx was reduced to defending and refining it by cloistered scholarly work in the British Museum had a debilitating effect on the theory itself. His scientific conclusions about the future development of the working class, and the organizational practice apparently implied by those conclusions, became obstacles to proletarian consciousness at a later stage. Guy Debord, ***Society Of The Spectacle*****, Thesis 85**

The crisis is both part of the fabric of our daily lives and a particular series of mismatches which are rolling through the system. We have a herd of "elephants in capital's living room", of "leviathan industries", of contradictions which each infect daily life but, to an almost clichéd level, cannot be addressed. The difficulty of finding jobs and housing, the time wasted getting to work, the state of health insurance, etc., everywhere, the insanity is so great, it cannot be mentioned.

This is the texture of our world. This is the "foam" of crisis capitalism. Survival goes from dull routine to a complex strategy game but it never lets up. We are going from television (which once gave us propaganda saying we were lucky to live in America to the Internet) where we find hints about how to be lucky enough to live.

Certainly, the recent popping of the housing bubble was a larger landslide than average in the overall process of capital's mountain dissolving. Still, in this process, we can expect that over the next few years, capital will construct a series of more desperate economic Maginot Lines intended to keep the implication of the contradictions from appearing. Indeed, whatever is said, the unanimous feeling of our world is "let me escape first, before the ax falls".

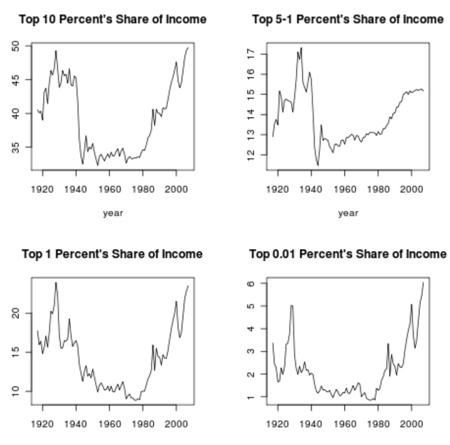
If we now are articulating the quantitative details of capitalism's crises, it is ultimately as part of bringing this entire hidden realm back into the open – to give ourselves a way of understanding crisis capitalism's accelerating contradictions without falling into uncertainty or conspiracy theory.

Capitalism is both a historical system and an abstract system. It is historical in the sense that it comes out of and transforms the wide web of social relations we human have built over the last ten thousand to hundred thousand years. It is abstract in the sense that it conjures up a market place outside of any historical context, a market place in which we human beings are impelled to act in a fashion akin to electrons in a magnetic field. Human labor power in particular is taken as a fluid resource which can be mobilized for any purpose. The act of two people exchanging something can, in the abstract, have so many complications to it that its analysis becomes nearly impossible. One party has more power than the other or the parties may be more or less evenly matched. One or both parties may be desperate to make the exchange or it may be made at leisure. A factory owner can hire workers like an engine sucking in air, having perfect confidence that if one worker won't fit, another one will. The buyer and seller of an antique car might carefully bicker and haggle with neither guaranteed of making a move. A subsistence farmer might not work for a wage if it happens to be convenient for him. Capitalist society in particular is based on the assumptions of the factory owner. The capitalist purchases resources and sells them at a profit. This means that all the resources must be reasonably "liquid". They must flow at a predictable rate.

The present day form of capitalism has extended and tuned the feedback loop to an extreme degree. Producers, consumers, investors and speculators interact in the process of deciding consumption, production and investment on a global scale. Despite the continual tuning of experts, the system has lately shown millions of people its tendency to go off the rails.

Still, we foes of the current order are in a bit of a quandary. The time when skilled metal workers made a painstaking study of Karl Marx's *Capital* has passed – whatever its merits, the book *Capital* will never return to being "the workers' bible". Moreover, would-be revolutionaries' efforts to use crisis theory for revolution have had a poor track record in the last two hundred years. In the time of Germany's Second International, when the teachers of the Second International had supposedly prepared the working class for economic crisis, the working class failed to make revolution either with or without the impetus of crisis. But after Argentina experienced an economic collapse in 2001, the working class created a partial revolution despite the previous regimes having wiped out much of the memory of older radical culture.

What we must keep in mind is that despite seeming to "take its gloves off", this society remains the society of the spectacle with the atomization and loss of meaning and community which that entails. Spectacular domination is not really a matter of lies being believed. Rather, the spectacle is an inherent concept of the world which is accepted as natural only because there is no coherent alternative. And this lack of alternative is not really a lack of imagination on the part of the populace. Rather, the totality defines ideas more than ever before. Ideas define interests more than ever before.



The unconscious unwillingness to think and talk about the dominant dynamic as a mad machine going off the rails comes because such a view connects to a collective opposition which does not yet exist, for which there is not yet the immediate base. With all this, I aim for a "modest" further explanation of the crisis which connects objective and subjective conditions.

Certainly, when the Stock Market wipes out ten years of profits, Marxists prophesying "inevitable collapse" no longer seem as irrelevant. Still, if you hang out with the extreme left at all, you can get the impression that there is a *Capital* Reading Group in every town. What's remarkable is that all these efforts don't seem to bear any fruit in explanations of our presently churning economic system.

British industrial processes perfected the saber long after the use of sword fighting had past. Modern society has more poets than it has readers of poetry; at least academic poets are likely to have some skill. The whole of modern society has a superabundance of resources while failing to create a worthwhile way of living. Karl Marx is read and interpreted in a sophisticated way by a quite small but energetic group and this group has found more interpretations and arguments than perhaps existed in the earlier historical Marxist movement. It is disheartening that so many of these efforts are games and hobbies, generally, but not always, in the pay of universities. A person's point of view helps determine their thinking and beliefs. The twentieth century ushered in fourth and fifth dimensional geometry in mathematics, yet it is a measure of the decay of this society that we seldom imagine the world beyond the usual three.

Alfred Korzybski's writings evoked fourth dimensional Minkowski Geometry in 1933. It is hard to imagine a writer demanding similar rigor from popular readers today. The transformation of coordinates, the revaluation of values and the choice of measurement are just a few conceptual practices which are now sadly confined to the world of engineering while ideology reduces the world's perspective to a flat ontology, flat consumerism and ideological manicheanism.

Hopefully, this means that a revolutionary upsurge will be accompanied by a revival of a thousand investigations, some of which will lead in the direction of both revolution and a critical understanding of the capitalist system. Talking about economics is a rather strange activity. It involves describing complex processes which people think of as simple and familiar processes. I could launch into hundreds of different details and still not get to the heart of the matter. Certainly, anyone wishing exact definitions is welcome to read *Capital* and continue the discussion then.

The Kernel Of Crisis Theory:

Domination is at least lucid in that it expects that its free and unhindered management will very shortly lead to a quite large number of major catastrophes of the highest grandeur; and this as much as on ecological

terrains (chemical, for example) as on economic terrains (in banking, for example). **Debord, *Comments on Society Of The Spectacle***

Recently, I was asked for a reference to understand “the very basics” of economics. This is a totally understandable yet impossible request. My friend wished to read Marx yet described himself as so ignorant he couldn’t follow Marx’s description of bonds. Yet a mainstream economics class also presumes such a large amount that one often doesn’t find the “simple answers to simple questions” even there. No theory of “economics” is objective or treats its subject thoroughly outside of the social context within which it begins. Essentially, a course in either basic or advanced mainstream economics is a course on how a particular version of a would-be human machine works. The fuzzy reasoning involved mixes together description of this hypothetical process with justifications for it.

In America, where every year mathematics is less popular, by relating economically, we residents have entered a financial roller coaster shaking and vibrating in multiple mathematical dimensions. So, I think that putting our understanding of capital's instability into a rigorous but understandable mathematical model is one useful counter-project. It could allow discussions that don't simply veer into references to Marx's genius or arguments which are too obscure to be grasped by many people (whether they are literally academic or not). It is not surprising that despite my efforts so far, I have not actually gotten much debate on this level. Still, what can revolutionaries do besides leave around what seems to them like kindling waiting for the day of conflagration?

And yet, “the economy”, the combination of production, trade and distribution that continually creates and recreates modern society, is not simply an idea or a spirit. When two or more people have an ongoing trading relationship, there are a variety of qualitative and quantitative relations that could be occurring. There are objective, technical qualities which cannot be understood in the same qualitative flash that let one instantly feel the basic insanity of the world of work or the shopping mall.

Still, I think that we can give an appropriate snapshot of capital's quantitative tendency to crisis once one accepts the limits of our methods: I define only what is necessary, I assume the reader has basic understanding of the economy in which we all swim. I am not describing all the implications of the world of wages. I instead jump directly to the question of crisis in the present world we implicitly know. I am making a mathematical model.

I would invite the reader to approach the discussion as being similar a mystery novel. I will be using some letters to define some quantities and it will require a bit of thought to put these pieces together. The model is also a simplification but one intended to illuminate the full complexity of life. I will make use of metaphor and intuition sketching the limits of this simplication. And Especially, I must count on the reader to creatively fill in the details.

I will make reference to “the whole” of things – to the whole of human society, the whole of capitalist relations and to the whole of production. I will look at the process of measuring things, to the geometry which various measures create.

We begin by considering the whole of society's production. A capitalist society produces a huge array of things, more things each year than humanity produced in all of pre-capitalist history. Let us call this massive stash, “the pie”. There are two seemingly simple question that come up: “who gets what proportion of this pie?” and “how do we *measure* the proportions that different people get?” The usual answer to both questions is “the market decides this”. We will begin by assuming that this answer is not enough – not even that it is wrong but rather that it doesn't really tell us what we want to know – “the market” is only defined in terms of itself so it reveals little. We will be dismissing the market for now and looking instead at more basic processes – the social relations and material forces.

So, one way to measure the distribution of commodities is to look at the labor that's involved in creating them. For now we'll use the labor power, the creative energy involved in a commodity, as a yardstick to measure the total production of a society. This is simple if abstract. What's important to keep in mind is one could use other measures in looking the division of our pie.

Now, let us go into model making with some quotes,

The Wolf Report:

“**For capital to become capital, for the bourgeoisie to become the bourgeoisie, the capacity for labor has to be detached from the means of labor, so that labor itself appears as a commodity with only one use, its usefulness in exchange for the medium by which labor can purchase its own subsistence.”**

http://thewolfatthedoor.blogspot.com/

Our friend Karl Marx:

“Total capital C consists of constant capital c and variable capital v, and produces a surplus-value s. The ratio of this surplus-value to the [advanced] variable capital, or s/v, is called the rate of surplus-value and designated s'. Therefore s/v = s', and consequently s = s'v. If this surplus-value is related to the total capital instead of the variable capital, it is called profit, p, and the ratio of the surplus-value s to the total capital C, or s/C, is called the rate of profit, p'. Accordingly p' = s/C = s/(c + v)”
http://www.marxists.org/archive/marx/works/1894-c3/ch03.htm.

Just to keep in mind the quantities that are being talked about in mind: C (capitalized) is the total investment of an enterprise. We're dividing this into v, variable capital, which is the amount spent on labor power and c, the “fixed capital”, is essentially everything else. The “surplus value” is s, the amount that the capitalist retains after selling his product and paying out his costs.

Assumption 1: We will begin by assuming that the price of goods – aside from the commodity of labor power – will be proportional to the amount of labor value which is required to produce them. Now, we look at the capitalists of this society. These characters buy goods and labor power in order to resell the resulting commodities at a higher price. A given capitalist buys c goods and v labor power and produces C result. The capitalist's total investment is c+v. As a capitalist, he must thus sell his production C at a price of which reproduces his initial investment plus a rate of profit, so:

p'(v + c) = C.

Assumption 2: We will also start out assuming that every worker gets a constant proportion, in labor value terms, of the goods he produces, once again measured in labor power. This is equal to the assumption that each gets a fixed portion of the results of their working day.

Assumption 3: As a capitalist enterprise develops, it tends to use more “fixed capital”: the amount of raw materials, overhead, fixed machinery etc, still measured by labor power, that the enterprise uses increases in proportion to the amount of labor bought. Accepting this assumption, we can deduce that the rate of profit declines in the enterprise exactly as it uses more capital equipment per laborer. But it is important to not just understand the arithmetic but to see what's happening. Basically, measured in labor terms, capital is an ever growing complex which takes in approximately the same amount of stuff, labor and pays out the same amount of stuff, commodities measured as labor power. Of course, in this case, its profits decline as an ever larger capital complex rests on a much more slowly growing amount of variable capital – the growth of variable capital is simply the growth of the population.

We already have an equation for the rate of profit for our “given enterprise” - p' = s/(c + v). As we assume the normal path of an enterprise is to increase the amount of c while leaving s and v fairly constant. So the top, s, of the right fraction stays constant while the bottom, c+v, increases over time. Since we have a constant value divided by an increasing quantity, we have a decreasing rate of profit. That is the simple kernel. An increasing mass of capital must divide a fairly constant mass of surplus value.

In *Capital* volume 3, chap 13, Marx describes this tendency and gives numerical examples, in a clear, if long-winded, form:

Assuming a given wage and working-day, a variable capital, for instance of £100, represents a certain number of employed labourers. It is the index of this number. Suppose £100 are the wages of 100 labourers for, say, one week. If these labourers perform equal amounts of necessary and surplus-labour, if they work daily as many hours for themselves, i.e., for the reproduction of their wage, as they do for the capitalist, i.e., for the production of surplus-value, then the value of their total product = £200, and the surplus-value they produce would amount to £100. The rate of surplus-value, s/v, would = 100%. But, as we have seen, this rate of surplus-value would nonetheless express itself in very different rates of profit, depending on the different volumes of constant capital c and consequently of the total capital C, because the rate of profit = s/C. The rate of surplus-value is 100%:

If c = 50, and v = 100, then p' = 100/150 = 66%;

c = 100, and v = 100, then p' = 100/200 = 50%;

c = 200, and v = 100, then p' = 100/300 = 33%;

c = 300, and v = 100, then p' = 100/400 = 25%;

c = 400, and v = 100, then p' = 100/500 = 20%.

This is how the same rate of surplus-value would express itself under the same degree of labour exploitation in a falling rate of profit, because the material growth of the constant capital implies also a growth — albeit not in the same proportion — in its value, and consequently in that of the total capital.
http://www.marxists.org/archive/marx/works/1894-c3/ch13.htm

Relaxing Our Assumption...

Now, the basic position is plain and simple – the rate of profit declines as the rate of capitalization increases. However, all the assumptions that we've made do not necessarily conform fully to the world we know. So what we want to do is relax our assumptions. To “relax” an assumption, one wants to show that without assuming a point, one still gets about the same result that one got when one assumed the point. Each of our assumptions is a tendency but not an absolute rule. We know these tendencies sometimes apply but we see they don't always apply. So the validity of our argument ultimately rests on showing why the situations where the tendencies apply are more important, decide more, than the situations where they don't apply.

(Note that we can most easily simplify our assumptions in *an order* different from that in which they have appeared).

How to “Relax” simplifying assumption 2.

Our assumption has been that the “rate of exploitation" remains constant – that each worker receives a fixed proportion of the goods that they create, with the amount of the good measured in terms of the labor-power required to create the goods. This is as condition which capitalist economics attack in theory while true capitalists attack in practice. First, I will mention that our final result can remain true with a rate of exploitation that declines as long as that decline is gradual and the growth of fixed capital comparative steep.

We tend to describe a multidimensional reality with one dimensional language. Most models of the process of capitalist growth involve one or two commodities being produced while the reality is that hundreds of type of commodities are produced. Some of these commodities are needed for physical survival of workers while others are necessary for "social survival" - a good proportion of US workers must have a car today simply because that is the only way that they could get to work. As technology progresses, it makes itself necessary.

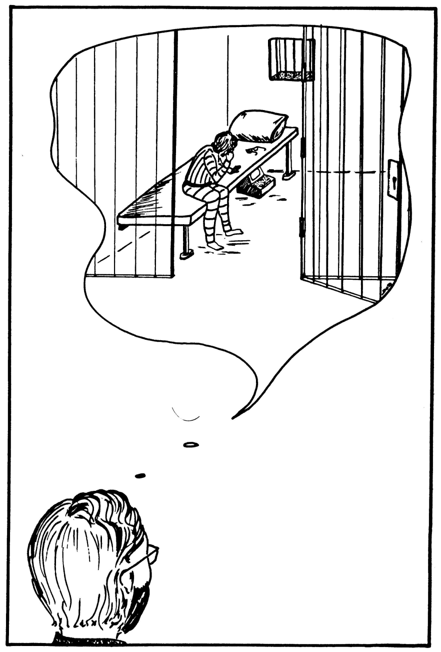
How to "Relax" Simplifying assumption 1:

Once we see that there is a relative lower limit to the rate of exploitation, we can also see that actual prices of commodities are limited by the amount of labor power used to create them. Labor power is an ingredient of all commodities. Moreover, labor power is necessary for the reproduction of labor power, if the rate of exploitation is relatively limited, the reproduction of each person requires a certain amount of labor power rather than just a certain amount of any commodity. Here, the amount of labor in a commodity is a "floor" for the price of any given commodity.

It is not true, contrary to what Adam Smith asserted and Karl Marx assumed in Capital Volume I, that the prices of commodities average out to their value. As Marx shows in Capital III, the prices of commodities diverge from the simple amount of labor power within them depending on the capitalization of the enterprise involved. The history of economic theory has, in general, orbited around the question of investigating the nature of prices. Smith's original position, that the prices of commodities were based on their labor content, became so glaringly dangerous when taken up by Marx that the field attempted to bury this research in the "more scientific" approach of basing prices only on each other.

How to "Relax" simplifying assumption 3:

Another way that the tendency to crisis has been challenged is through the argument that each capitalist enterprise



might use less, not more, capital.

The thing to consider is that every industry in which more capital is used tends to become more centralized and more important for society. Oppositely, industries in which less capital is used become less important, fading to nearly nothing at times. Craigslist has around thirty employees and makes one hundred million dollars per year but this single website has mostly replaced the once multi-billion dollar classified advertising industry. The ultimate low capital industry is the homeless man who wanders the streets washing windows – he has no skills, no capital and makes no impact on capital's rate of profit. The ultimate high capitalization industry is the microchip industry, with vast factories serving the needs of continents. The steel mill still requires much more capital and so has a larger position in this scheme, if now lower than the chip maker. By this token, we will argue that while some capital costs might go down and others go up, the net effect is that capitalization as a whole effectively increases and will continue to increase. We could also consult statistics concerning machinery per worker.

Recapping

The tale of capital's demise is a tale of ratios. Even if many "great economists" fail to get it, the tendency is clear with some crude simplifications. All the net products of this society are divided between our workers and capitalists. The challenge is determining how we should measure this total "pie" of products. To begin with, we will measure our pie using the amount of labor that goes into each product. With this measure, the percentage, the slice, of the net production pie that the working class doesn't get becomes Karl Marx's rate of exploitation (which also is the amount of time which a worker, on average, has to work for his boss' rather than his own benefit).

New commentaries touting "growth" seem to imply a general increase in society's production but the reality is that more of some items are produced than others. Even ordinary quantitative growth produces many disproportional relationships. The Capitalism of the present era piles these disproportional relationship up in a fashion which is difficult to grasp. This reality requires a dialectical perspective — the comprehension of the evolution of mutually contradictory tendencies — as a minimum condition for its full understanding even as it must suppress the dialectical fluidity of its citizens' thinking.

We have argued that the best picture of a growing capitalist society is one with a constant or slowly rising rate of exploitation (despite some arguments to the contrary). Capitalist society could be more and more productive, producing more with the same labor, and yet giving the working class the same goods or even fewer. This would result in a quickly expanding rate of exploitation. The problem with this is that some aspects of human survival require the labor of another human being.

While factories are more and more automated, medical care, farming or construction are much less so. This creates a ceiling keeping the rate of exploitation from rising beyond a certain level.

The capital of this society, taken together, represents its means of production. This is the structure by which our human society modifies its environment and satisfies needs and wants. There is "strong empirical evidence", that these means of production, measured as labor or as physical goods or as money, tend to grow quickly to a high level.

Our assumption that the rate of exploitation is constant or grows fairly slowly means that the share of goods which capitalists gets remains fairly constant. As the total size of capital grows larger, a single share of capital gets less and less of this total social product expressed as labor. This leads to the infamous declining rate of profit.

Another way to see this is to understand that the expansion of production is not even a process of keeping the slice of the pie the same. The increased production of capitalism imposes a terrain which defends capitalist relations and which destroys stable, collective activity.

It is important to look at what goes into this situation. The working class could maintain a constant rate of exploitation through collective struggle. On one level, we can see the working class and the capitalist class playing tug-of-war over this level.

What's more, even when collective resistance collapses, capital finds that the rate of exploitation still hits a ceiling because labor power require some, maybe small, portion of further labor power to survive and reproduce. This ceiling is a crucial factor in our reasoning. When there is a ceiling to the rate of exploitation, it means that, to capital, any money measurement of the social product is going to be approximately proportionate to the value measurement of social product – the labor going into goods will always be some fixed or slowly varying portion of the money cost of the goods. Oppositely, as production becomes more automated the size of the complex represented as the labor needed to reproduce it increases more quickly.

Now, we describe all this as fairly simple but none of this is obvious unless you approach capitalism's operations in the way we have . Economics is a strange field - it is the "science" where the "scientist" is involved with "objectively" studying the field, advising the proper actions for management of the field and rhetorically justifying "the field" (the capitalist economy). The contradictions are rife, though this doesn't mean it boils entirely to rhetoric.

Economists, in their function of justifying the economy, have moved away from the original theory that labor input played a crucial role in determining the price of goods. If we skip our assumption that the working class must receive a labor-valued percentage of the social product, then anything seems possible. The theory of Okishio, famous among those who would refute Marxian economics, states that when "real wages" are held constant, improvements in technology are bound to result in an increase in profits. Okishio is consistent with our proof of a declining rate of profit when the working class maintains a constant share of the social product, the social pie – Karl Marx's rate of exploitation remaining constant (or only increasing relatively slowly). The apparent contradiction is resolved by seeing that a "constant real wage" implies a declining share of the social product.

When technology produces more stuff in general, wages that on average buy the same amount of stuff actually involve a decreasing share of total social product. This would seem like quibbling if the capitalist economy's growth resulted in a uniform increase in all products, but this is not the case. Again, factories producing computer chips have become tremendously productive yet boots and houses are still produced with only small increase in productivity (increases which mainly come at the price of decreasing quality).

Capital today must continually fight to force its categories and its illusions onto our reality on a finer and finer level. This battle will continue indefinitely, regardless of the victories which capital may achieve at one point or another.

Thus, the theory of Okishio does more than improve the morale of stock market investors – it provides a path to the US Department of Labor to formulate an index of inflation which will guarantee corporate profits.

Oppositely, when the working class fights for a share of society's total production, it both empowers itself and brings on the crisis of capital. Given the conditions of struggle today, we aren't going to hold our breath about this — but, as we've noted, just the requirement to remain alive impels workers to gain some share of the society's total production and this pressure alone is enough to drive the crisis today.

Naturally, capital resists the measuring of social goods in terms of labor exactly because this provides the basis for looking at the division of our finite social pie. Now, measurement by money has been the "natural" approach for hundreds of years. Still, in the 1970s and 80s, the US public became sufficiently aware that inflation eroded normal wages, and again ate away at the slice of the pie, that measures of inflation became a part of the measure of value and controlling measurements of inflation became crucial for capital.

So, when we talk of a dual nature of the equations of capital, we mean that these equations are subjective and objective. The Okishio theorem is both an attempt at an objective formulation and a call for capital to organize life in a certain fashion. A well run economy is both a program that is impossible to implement and a program for a final denial of humanity. As capitalism attempts to construct a world where our survival involves a vanishing amount of human activity, it produces a wide range of horrors, from lead-painted Chinese toys to shopping mall wastelands. These fail when human beings organize collectively to resist them and they also fail when human beings are just practically unable to live with them. The two kinds of failures overlap and may have somewhat different consequences but still lead in a similar direction.

If we want a simple image of the unfolding of crisis we could imagine two realities clashing – Okishio-world versus Marx-world. In Marx-World, human beings each consume some portion of their output and there is thus a somewhat limited pie divided between people. In Okishio-world, consumption is measured in an unexamined unit of money, with “stuff” valued arbitrarily against other “stuff”. In the Okishio world view, the amount of stuff you get is always increasing but Marx world view points out your ability to buys things measured in human labor is always falling.

The pathological American health care system embodies the contradictions of Okishio-world. Okishio-logic implies that Americans are receiving more and more of this fuzzy entity “health care” since they are paying more and more for their medical bills. Of course, this same Okishio-logic implies that this health care involves less and less human contact. But the only problem is, health care has not actually been able to fundamentally replace human contact. So the upshot is the supposed “health care consumer” winds up consuming a larger hunk of stuff with less value, some of it even deadly, but indescribably expensive. Here, the “hedonic” model of consumption is overlaid and imposed on the choiceless consumer – where the term hedonic means that the state assumes that you “hedonisticaly” enjoy anything the capitalists put in front of you. The state's and large capital's multitude of agencies must push the fiction that the price – Capital's price-with-profits-included – must be what the thing is worth.

Oppositely, the “Marx model” rears its head when the working class refuses to accept increased exploitation (in all the senses of the term). As I mentioned earlier, at the same time as the capitalist system evolves, the battle between the working class and the capitalist class is unequal and the capitalist class in general is able to increase the rate of exploitation. The system still runs up against the minimum labor-cost of physical survival given that humans still need other humans for this survival. So, Marx-world appears in a subterranean fashion, undermining our hedonic measures of value. Indeed, in all of our crises, environment, health care, capital faces that the ultimate costs of production are leaking out in one way or another.

From Declining Profits To Active Crisis

After jumping down the rabbit hole of analytical reasoning, we have come up with the declining rate of profit, the holy grail of the Marx-a-zoids. Still, if we just look at this as some discovery in arithmetic, then we would miss the qualitative discoveries that it offers. One might imagine a situation where the capitalists' profits decline leisurely as society's productivity advances.

However, we can discover the real meat of things if we look at the capitalists' many efforts to hold-back this decline and to even suppress awareness of it.

The state, the larger capitalist enterprises and the entire ideological complex can each work to impose short term solutions which certainly *seem* to solve the problem. Indeed, what matters to them is that the capitalist can succeed at doing this in the short-run. What declines under capitalism is the long-term, stable rate of profit.

All of this discussion is more than just an argument that profits will decline at some point. It is also a description of changes that have already occurred. It is not that corporate profits have vanished or even declined as such – rather, it is that the mass of the capitalists as a whole today has grown to hargantuan proportions, with fat financial institution and shady speculative entities taking a piece of the pie along with the corporate interests. Yet, the cost of labor power is still a significant part of total costs, it still limits how this pie can divided up.

Our, humanity's, activity over the last fifty highly productive years has involved creating a massive alien production/consumption machine. The spectacle's distortion field has kept the profitability of this machine hidden save for a few moments of clarity as such late 2008. The monetary system, the credit system, the ideological system and the world management system must work ceaselessly to keep this realities from becoming visible again as. it works in the US by piping money to the military, organizing “health care reform”, “cash for clunkers”, “the Wall Street Bailout” and Oh so many other efforts. In its entirety, capitalism can only maintain its profits through a series of speculative and artificial schemes while maintaining the social cost of survival at the highest possible level and the level of competition and uncertainty similarly.

Each apparent solution is at the heart of capital's next crisis. In only a year, the “subprime crisis” metastasized into a giant financial crisis and was met with an equally huge “bailout.” But this bailout could only aim at restoring the previous insane “normal economic conditions.” More than in 1998 or 2001, the economy now presents itself as something like a circus from a 1930s musical; it's absurd and the measures to keep it going are ridiculous but everyone depends on it, so “the show must go on”. The most recently burst bubble perhaps relieves a little bit of the need to explain what Ponzi schemes are and why they are doomed to fail. The danger is perhaps the opposite; that the current problem will be seen only in terms of Ponzi schemes. So we need to connect the details of the previous argument to the visible insanity of today.

So, the pronouncement is ... when the rate of profit declines in an environment of leveraged, financial capitalism, such as today, it causes companies to become effectively bankrupt since they have borrowed money expecting to profit at one rate and now can only expect to receive a lower rate. However, because capital has many counter-measures to the declining rate of profit, the companies which are effectively bankrupt can continue to operate for a fairly long period of time. (For example, the US car makers were effectively bankrupt twenty years ago but have been kept alive through a variety of measures till now).

The periodic crises happen when capital's counter-measures to the declining rate of profit fail. It should also be noted that all the countermeasures result in distortions to the equilibrium of distribution of goods between different industries that would otherwise exist. We can see this most clearly with the recent housing bubble, which resulted in a massive over-allocation of resources to housing.

These crises of profitability can be and are eventually solved without the profit rate going back up again. What happens instead is that debts get nullified, companies go out of business, the distribution of resources is adjusted and markets are restructured to allow accumulation at a lower rate of profit. We should keep in mind that capital can accumulate at any rate of profit. It is just the unexpected, unacknowledged declines in the rate of profit which create the problems.

This process of capital attempting to solve profitability crises is of course always evolving but it can not evolve towards greater stability. Capitalist economic theory, and capitalist ideology in general, does not trace the objective conditions of capitalist production but rather traces the ideal situation and leaves policy makers to attempt to impose those conditions. The stronger the spectacle – the stronger the control of the state/enterprise/media "complex" – the more the system can impose these capitalistically-desireable but fundamentally unstable conditions.

As it has developed, the capitalist system has gained more influence over the context of investment buying decisions and all of the context outside of production itself. The American suburb was an entire urban form designed for capital's needs, for example. This has allowed modern society to produce theories, advertising and whole industries which operate to ameliorate the declines in the rate of profit. More recently, we saw this in the dot-com and speculative implosions. The thing is that by being better at creating counter-measures, capital has actually created greater fragility coming from threat of those counter-measures failing.

Because for the last twenty years it has been so successful at postponing crisis, there are actually more extreme misallocations of resources than any earlier crisis – from housing, to unneeded SUVs, to unneeded hospitals, to defense and so on . The recent movements towards equilibrium have been as extreme as these misallocations. It is not surprising that Bernanke and Geithner and their Chinese and EU counterparts are desperately trying to avoid this return to equilibrium with new bubbles and speculation. Instead, further extreme interventions are clearly on the table. But if these interventions succeed in the context of not having first worked out the distortions in the system, they will set the seeds for further crisis in fairly short order.

Disproportionalities and the Social Meaning of Our Calculations

The progressive tendency of the general rate of profit to fall is, therefore, just an expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labor. This does not mean to say that the rate of profit may not fall temporarily for other reasons. But proceeding from the nature of the capitalist mode of production, it is thereby proved logical necessity that in its development the general average rate of surplus-value must express itself in a falling general rate of profit. Karl Marx, ***Capital*****, V. III, Chapter 13**

In our discussion, we show a decline in the rate of profit in terms of value and then in terms of simple prices. Now all of our efforts here must ultimately aim at drawing a line starting at the subjective conditions of work and commodity relations and ending with the large disasters and irrationalities which we sad residents of present day capitalism face. So there are other observations we can find in the ratios that we've gone through. We can notice, for example, that profit declines because the mass of capital increases more quickly than the amount of product of society in terms of labor or "human survival".

The declining rate of profit can be seen as one of many contradictions. In the unfolding crisis, capital strains against these contradictions in turn; limits imposed by oil production and environmental damage already played a part limiting China's growth at the height of the last boom,

The declining rate of profit is unique in that it is inherent to capitalist relations and disrupts them even when these relations might otherwise seem to triumph. Indeed, it is becoming increasingly clear that the world the capitalism builds is hollow, with each victory making a collapse seem closer. Even more, the variety of other contradictions, from the health care crisis to "environmental degradation" to "spiritual impoverishment" altogether come from the disconnect between the means of production with the relations of production. The process of attaining profit is compressing the entirety of qualitative changes in this society into a massive quantitative structure. In this sense, all contradictions feed back into this one overall contradiction.

Indeed, the tendencies and counter-tendencies of capital's rate of profit carve out a portrait of the present world. The gigantically developed complex of industrial capital is measured in billions of dollars, with trillions of dollars of speculation on top of this. This entire complex, in the sense we've described, must impose both anti-human order and its own illusions on our world. Capital has now arisen as a mass looming over humanity. The materialized ideology of "hedonic costs" attempts to impose the idea that whatever industrial junk capital produces is desirable only because a price-tag has been added to it.

The materialized ideology of “fair-value accounting” takes the ephemeral “judgments” of the market into the basis for valuing investments (a self-referential exercise to say the least). The materialized ideologies of physioeconomics similarly must propagate the illusion of the market existing outside of human relationships (and to be clear, none of these statements are claims to have “gone beyond Marx” but rather they are simply efforts to apply Marx's approach to the present era). Everywhere these exegeses of the market are extended by ideologies and even personal neurotic compulsions equating price, value and satisfaction. To reverse Chapter I of *Capital*, capitalist relations impose the illusion that since one exchange value is as good as another, so will be one use value over another. In reality, the process of the expansion of the means of production is a transformation of the whole of society. The creation of a factory transforms social relations in an entirely asymmetric manner, in everything from the generation of pollution to changes in the possible social values of labor both within and without said factory.

And of course, we are dealing with the modern world where life is being transformed in more distinct fashions than any individual can keep track of and where the spectacular illusions of capitalism makes many efforts at an overview deceiving.

Disproportionalities in the process of capitalist society growing can be seen both generating its quantitative and qualitative crises. A Ponzi scheme here is just the most extreme example of taking exchange value to be equivalent to use value. Capital treats people as a quantitative resource ready to exploit. We charted much of how this led Capital's own chaotic instability. But it is still worth highlighting the strong connections between the two aspects. On the one hand, we have those rackets which expect a constant level of profits – General Motors is the best example. On the other hand, we have entities which aim for a better share of profits by automating their operations and cutting into other companies profits. This leads to instability on the small scale. On the large scale, the authorities have kept things together with various ad-hoc measures which are now breaking down. Everywhere, indeed, capitalist society simultaneously expects its citizens to fluidly adapt to the conditions of the era and to remain ignorant of more covert strategies for survival. Apple Computer profits from the prevalence of pirated music played on iPods while it simultaneously sells copy-protected DRM music. The arithmetic of consumption is based on the average person’s calculated and verified laziness in understanding the operation of their world.

The expansion of crisis capital involves increasing disproportionality in wages and prices. IPods are one thing and gas prices are another. The difference between the highest and lowest within the working class and professional classes increase and this increase happens on a larger and larger scale relative to production . The consultant who can take a business “to the next level” is worth a percentage of the total business and said business has no choice in this matter since markets have the quality of elimination poker matches, destroying those who fail to reach whatever this next level might be. But simultaneously, those who perform ordinary labor naturally are expected to sink to nearly the level of slaves. Equally, average prices slowly increase while certain things get cheaper and others more expansive. Cash For Clunkers must naturally fail to put cash in anyone's pockets except the bankrupt car companies.

As we experience the various stages of growth, decline, explosion and collapse, we should notice that capitalists make decisions in terms of their immediate, private benefit rather than in terms of maintaining society or even maintaining capitalism within society. A crucial aspect of the ratios outlined earlier is that an individual capitalist does not see their condition as coming out of this relation. The apparently haphazard course of capital's current crisis responses also come out of this being a crisis of profitability and not a crisis of underconsumption. A crisis of profitability comes from a mismatch between the arrangement of the firms in each market and the decreased organic composition of capital. "healthy" Profitability, even the lower natural rate, can only be created through the destruction of both some firms and some means of production. But "unhealthy" profitability can attained any number of ways, with those ways tending to lead even more “economic ill-health”.

Simply "stoking demand" cannot solve such a crisis for capital. And the crisis-interventions we've seen by the US Fed, the US government are an example of the new model – profits will supported as directly as possible. It's characteristics:

- The state spends more while routing the proceeds to particular favored companies and industries rather than being generic "make work" projects. The states' money thus more and more supports profits rather than production, giving fewer and fewer "real" economic benefits.
- The state tweaks their project avoid any direct give-aways but rather structures generous incentives in which taxes are funneled to spending. These involve carrots and sticks for spend - everyone will soon have to buy private health care but some of that spending will be subsidized...
- Despite vast state spending, any ostensible welfare or charity is extremely meager. Indeed, budget for normal state expenditures are constantly cut. A large portion of the unemployed still are more covertly supported through indefinitely extended unemployment benefits.
- Projects are constantly rearranged and revamped leaving those dependent on them in a state of uncertainty. Notably, the unemployment benefit extensions are a continual in limbo but continually done.

But this approach involves capital treading water rather than putting itself back on its feet. .

And Now A Dialogue On The Future:

From http://libcom.org/forums/theory/economic-collapse-02122009

TragicTravisty:

Do you feel that economic collapse is coming? The US debt is ballooning, and income taxes can't

keep up, the derivatives bubble has grown to astronomic levels, etc? Do you think that in the next decade or two there will be economic meltdown?

RedHughs:

Wow, it is a tribute to modern amnesia that someone can ask "is a collapse coming" when there was, one year ago, in the summer of 2008, a series of events that seemed like a major financial collapse and whose repercussions are still being felt. I guess those events were years ago in “Internet time”.

Still, the craziest thing is the reference to "two decades" - if that's Internet time, then I'd say "no", there's nothing to fear, things will like as normal in two months. But in real clock time ... I can't imagine that human beings will be doing well at all in two decades if current trends continue; seriously we aren't doing great now. I'm an optimist; the current economic regime probably will last for another two or three years and the collapse at that point might not be that much more painful than the last one. But in two real decades?, sheesh, one thing I can tell you is that the US trade deficit will not exist in any currently understandable form so that won't be a problem.

Anyone ever heard of a society with a constantly increasing rate of change? I know the reference might have been from a while ago... or will be soon...

Mikail Firtinaci:

Internet time... A day passes between every check for the "new posts" and further "google searches" that it provokes while I am preparing a paper which has a deadline for tomorrow for the fucking academia.. Now it is 5.24 am and I am preparing a paper on asiatic modes of production... I can not imagine how the peasants felt time in the never changing "asiatic" societies... Internet time it is, yes...

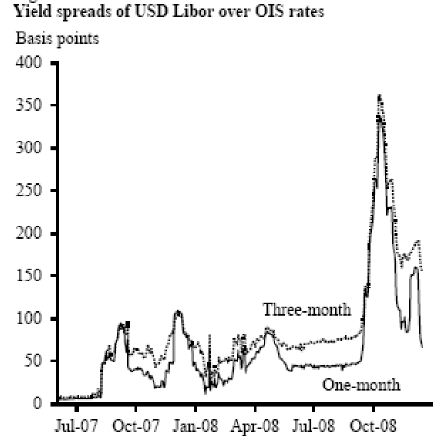
And now from http://libcom.org/forums/theory/dubai-crash-30112009 ...

Oisleep:

for an empirical example of this view working in practice you only need to look to the situation of when Lehman's went under which had something like 400 billion dollars of CDS's on them - there was an orderly winding up/settlement of the outstanding CDS contracts on their debt and there was very little knock on impact from this particular part of their demise,...

Woah! Seriously? Where were you on Friday 10th October 2008? The moon? The Amazon? A week long ketamine bender? Do you remember this? If you recall, there was a small problem in the lead up to the ISDA auction of Lehman CDs on that date - namely no-one knew ahead of time what the actual figure (the $400 Bn you quote) for the outstanding CDs actually was, or who held them. Hence it was impossible to estimate the probable recovery rate, or possible knock-on insolvencies. The resulting scramble to hoard liquidity led to a progressive drying up of the interbank lending market - the central circulatory system of global finance - culminating in actual seizure on the day - that spike is notional as trades had stopped at that stage (singularity). That seizure led central banks worldwide to leap into socialized banking system debt, wholesale. While you are correct to say that the auctions were

Figure 1
Yield spreads of USD Libor over OIS rates



conducted successfully on the day and the CDs cleared out - to say the process passed by in an "orderly" fashion is bizarre, given that it directly caused the biggest heart attack of the global financial system in the post-WW2 period. I'd call that a bit of a knock-on effect. What next? The Somme - a minor fracas?

Today, some might think that you would need to be deaf, dumb and blind to not see a gathering storm. Yet many don't see this. The list of fragile and pathological tendencies related to the unstable and concentrated condition of capital is long. The vastly bloated US health care system is one notable example. The graft, confusion, and paradoxes within this monster might make one think about the general state of this society. Yet most people's urge for psychological self-protection consign this or that example to that unexamined realm outside the normal.

So anyway, “The Return Of Crisis” discussed the basic tendencies of expansion, collapse and freezing, a group of tendencies which together produce a “foam,” a hollow society where large pieces fall off unpredictably. These notes serve to both update this and make clearer the underlying tendency – the declining rate of profit. PrudentBear.com and Thewolfatthedooratblogspot.com together provide far more in depth information than this article could. The charts were taken at semi-random from http://theautomaticearth.blogspot.com/2009/09/october-1-2009-carcass-of-mother-goose.html and http://seekingalpha.com/article/118369-credit-crisis-watch-some-positive-developments. These are also good sites. Indeed, one can find perhaps hundreds of well-done descriptions of the elaborate mechanics of the crisis, each concentrating on a slightly different one of its dimensions. This article is not one these good efforts but rather an effort to reveal the human relations and mathematical relations behind all of this.