

# Long waves in contemporary capitalism

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# Capitalism studied over the long term

Schools that have produced a history of the very long term of capitalism:

- ❑ the **Annales School** (Braudel, 1995);
- ❑ the **social-geographical** view (Harvey, 2003) ;
- ❑ hegemonic changes in the world economy or **world-system** (Wallerstein, 1974);
- ❑ **Long systemic cycles of accumulation** (Arrighi, 2010).
- ❑ the **regulation school** (Aglietta, 1979)
- ❑ **Ernest Mandel's long wave theory**, inspired by Leon Trotsky's work on *The curve of capitalist development*, based on a long series of data collected by Kondratiev.

# Capitalism origins

- Process of **original accumulation and accumulation by permanent dispossession** of territories, population, natural wealth, old forms of production, knowledge and labour.
- **Exploitation of the value** produced by labour power.
- **New social relations.** The bourgeois state and the logic of the commodity.
- **Dynamics of capital accumulation.**



# Capitalist dynamic: commodity logic

**Money->(Labour Force, constant capital)->Production->Commodities->Money+Profit**

**CAPITALIST  
DEPLOYMENT  
TENSIONS**

DOMINATION/EXPLOITATION  
OF ONE SOCIAL CLASS BY  
ANOTHER (CLASS  
STRUGGLES)  
COMPETITION BETWEEN  
PRODUCTION UNITS (FIRMS)  
IN THE MARKETPLACE





# Profit rate

=> It is the main reference for capitalists in determining the investments they make.

2.  $c = \text{constant capital}$

3.  $v = \text{variable capital}$

4.  $s = \text{surplus value}$

5.  $\theta = \frac{c}{v} = \text{organic composition of capital}$

6.  $\xi = \frac{s}{v} = \text{rate of surplus value}$

7.  $\pi = \frac{s}{c+v} = \text{rate of profit}$

8.  $\pi = \frac{s}{c+v} = \frac{s/v}{c/v+1} = \frac{\xi}{\theta+1} = \frac{\text{rate of surplus value}}{\text{organic composition of capital} + 1}$

The **rate of exploitation** depends directly on the correlation of forces between the social classes.

The **organic composition of capital** depends mainly (but not only) on technical change:

- ☐ The degree of mechanisation, which tends to increase.  
If the composition of capital increases, it grows.
- ☐ The trend of productivity.
- ☐ The real wage. If it grows, the composition of capital decreases

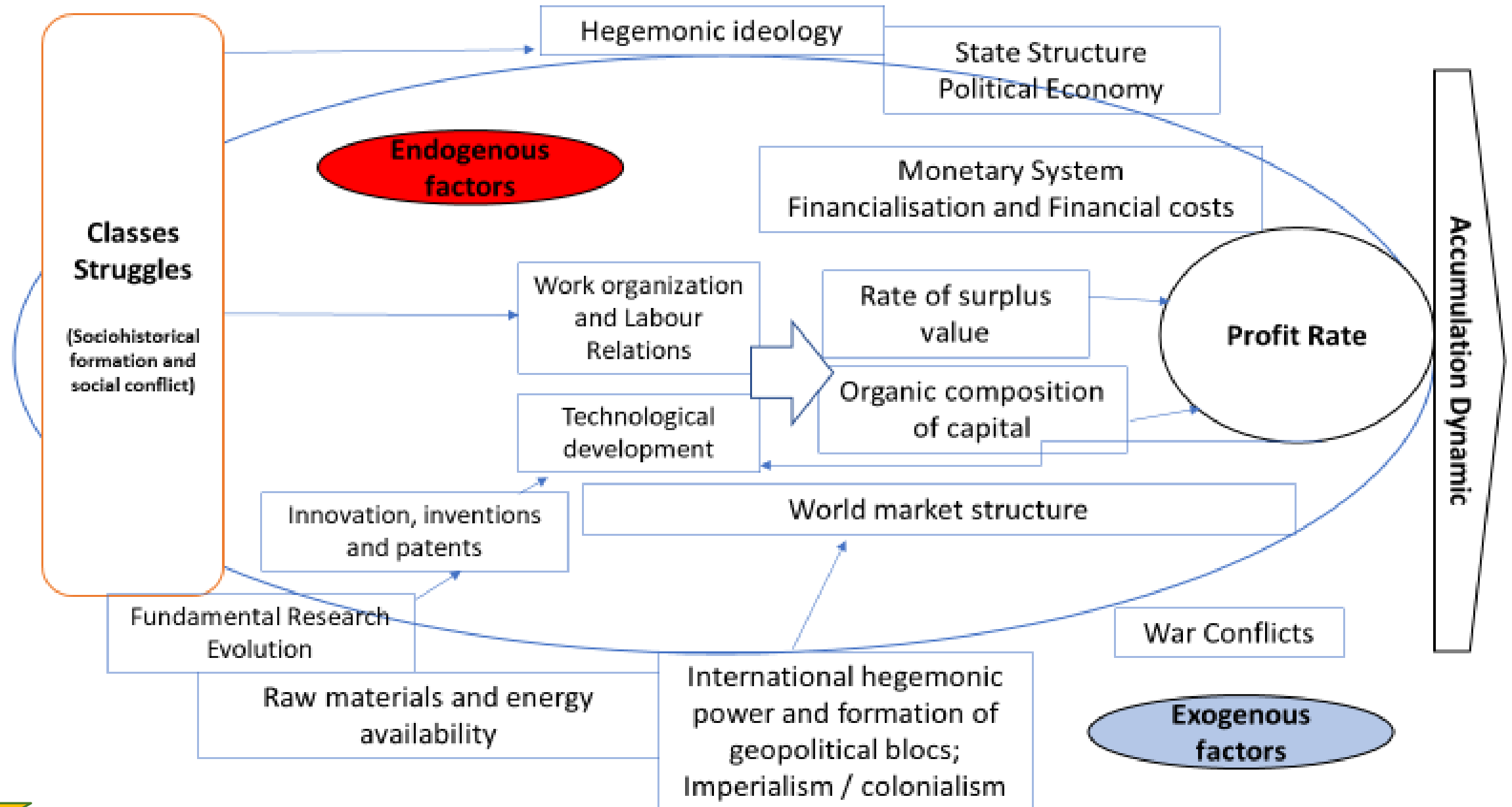


# Long wave dynamics

- There have been, at least, **four long waves** in capitalist history.
- **Periods of prosperity** endogenously followed by a period of **recession/slowdown**.
- **Periodic industrial cycles**, within long waves, have behaved with durations of about 7-9 years. They last as long as it takes to replenish fixed capital.
- **The passage from a depressive phase to a new long expansive wave is not automatic**, it depends mainly on **socio-political factors** - class struggle - and on economic conditions - appearance of new markets - and technical conditions - potential new products to be marketed, productivity level, etc...



# MULTIPLE FACTORS IN CAPITALIST DYNAMICS

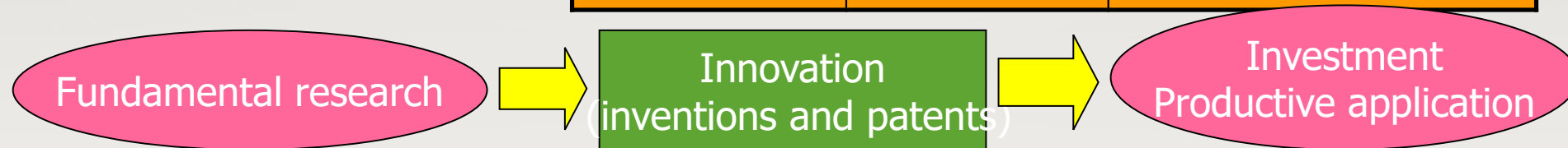


# Profit rate and technology

Prosperity	Depression	Fundamental innovations
1793-1825	1825-1847	Manufacture
1847-1873	1873-1893	Steam engine
1894-1914	1914-1948	Oil Plastic
1955-1973	1973-...	Microelectronics Atomic energy Man-made synthetic fibres



- I Industrial Revolution
- II Industrial Revolution
- III Industrial Revolution





# The long decline of the last long wave

- Falling rate of return in the 1970s. Crisis of 1973.
- A change to neoliberal policies is introduced, based on the **financialisation of the economy in the 90s.**
- **In 2008, the compensatory effects of the financialisation policy are exhausted.** Its deepening only manages to cushion and postpone the crisis. **The last long wave would last more than 70 years.**



## **Determinant factors of crisis.**

- **Evolution of the effective profit rate (gross profit rate minus financial costs).**
- **Exploitation.**
- **Depletion of the raw materials of modern industry and the energy crisis.**
- **The class struggle.**



# **Dominant factors of crisis.**

- **Stagnating productivity. A Fourth Industrial Revolution?**
- **The weight of debt (and fictitious capital).**
- **Conflict because the fight for the international imperialist hegemony.**



## Possible triggers of the crisis

- The energy crisis and the crisis in the availability of basic industrial raw materials.
- Trade, fiscal and currency (foreign exchange) wars.
- Financial and banking crisis.
- Bankruptcy of strategic sectors (Big Tech) given their growing size.
- The return of restrictive monetary policy.
- The regionalisation of globalisation and the dislocation of the global value chain.
- War conflicts (Syria, Ukraine, Taiwan, ...).





## Financialised development model of state neoliberalism. 1995-...

- To combat the crisis of overproduction were applied **adjustment policies** (privatisations, reduction of social rights, devaluation of labour and wage rights), and **easy credit and debt facilities** in order to compensate the first recessive measures.
- **Expansionary monetary policies** were used. Though mainly the banking system and big business were supported. This policy has not encouraged investment. From **2022 onwards interest rates will rise**.
- Strong **financial deregulation** was implemented.
- A **de-taxation of capital, inheritance and wealth** was applied, and also a higher tax burden on consumption and labour, and cuts in public services, social policies, and real wages have been moderated. Since 2021 real wages have been losing a lot of purchasing power.
- A **policy of generosity to capital and social austerity**, selective disinvestment, and outsourcing of publicly funded public services has been implemented.





# The impact of Covid-19 on the world economy

- 2020: beginning of the Covid-19 pandemic.
- It has led to severe mobility and assembly restriction measures, and even **confinement measures**, which for months has meant hibernating or idling the economy. In China these measures still persist, generating unrest.
- The world economy entered a **depression** unprecedented since 1929. By 2021 there was a **rebound effect**, although many countries have not yet reached previous production levels.
- Public policies were applied, an unprecedented **expansionary monetary policy** was implemented by Central Banks, and the **fiscal consolidation doctrine was temporarily suspended** in an attempt to avoid further job losses and the collapse of economic activity.
- **Global sovereign debt intensifies.**

# Latest World Economic Outlook Growth Projections

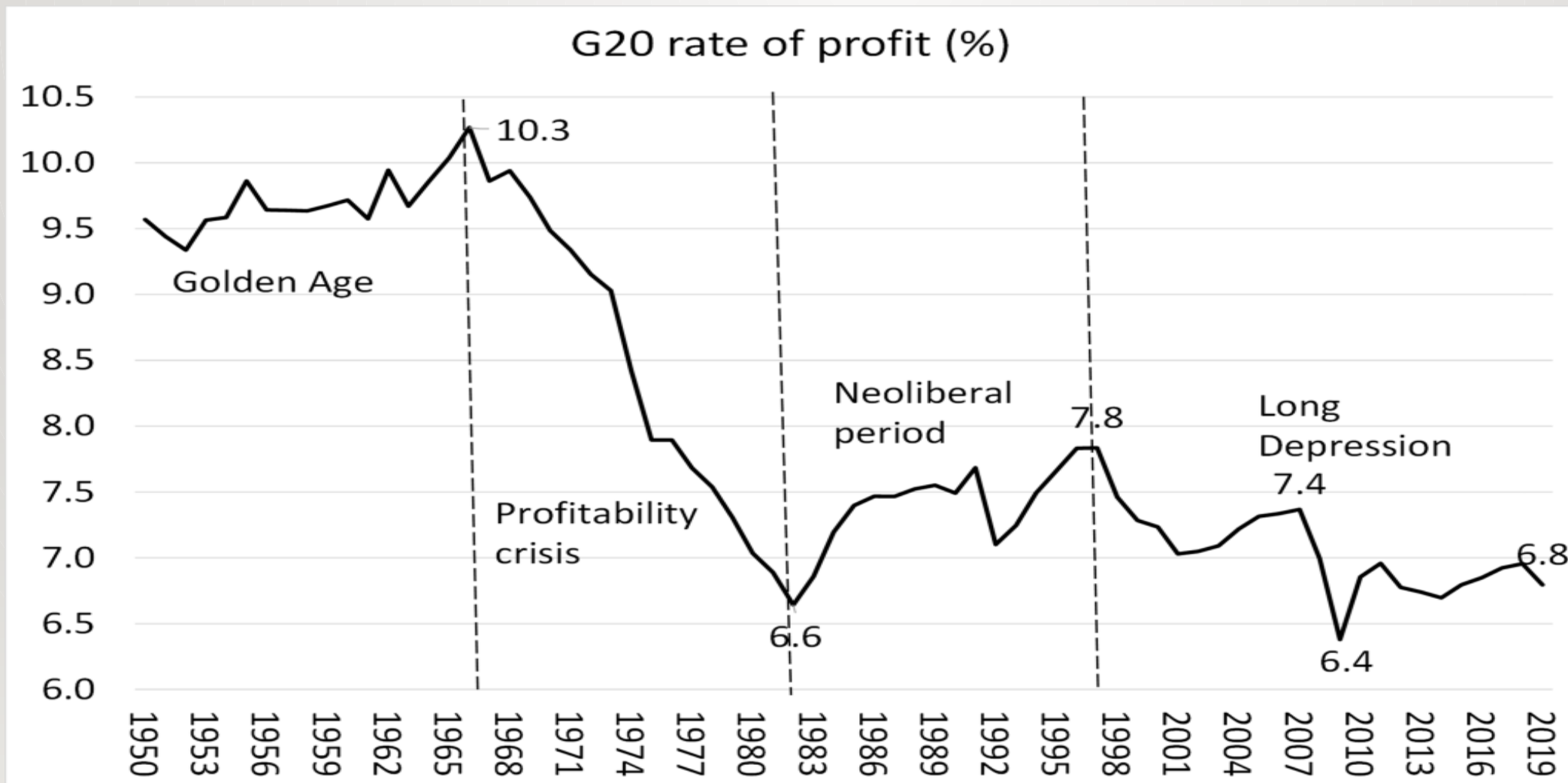
(Real GDP, annual percent change)	PROJECTIONS		
	2022	2023	2024
<b>World Output</b>	<b>3.5</b>	<b>3.0</b>	<b>2.9</b>
<b>Advanced Economies</b>	<b>2.6</b>	<b>1.5</b>	<b>1.4</b>
United States	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
Italy	3.7	0.7	0.7
Spain	5.8	2.5	1.7
Japan	1.0	2.0	1.0
United Kingdom	4.1	0.5	0.6
Canada	3.4	1.3	1.6
Other Advanced Economies	2.6	1.8	2.2
<b>Emerging Market and Developing Economies</b>	<b>4.1</b>	<b>4.0</b>	<b>4.0</b>
<b>Emerging and Developing Asia</b>	<b>4.5</b>	<b>5.2</b>	<b>4.8</b>
China	3.0	5.0	4.2
India	7.2	6.3	6.3
<b>Emerging and Developing Europe</b>	<b>0.8</b>	<b>2.4</b>	<b>2.2</b>
Russia	-2.1	2.2	1.1
<b>Latin America and the Caribbean</b>	<b>4.1</b>	<b>2.3</b>	<b>2.3</b>
Brazil	2.9	3.1	1.5
Mexico	3.9	3.2	2.1
<b>Middle East and Central Asia</b>	<b>5.6</b>	<b>2.0</b>	<b>3.4</b>
Morocco	1.3	2.4	3.6
Saudi Arabia	8.7	0.8	4.0
<b>Sub-Saharan Africa</b>	<b>4.0</b>	<b>3.3</b>	<b>4.0</b>
Nigeria	3.3	2.9	3.1
South Africa	1.9	0.9	1.8
<b>Memorandum</b>			
<b>Emerging Market and Middle-Income Economies</b>	<b>4.0</b>	<b>4.0</b>	<b>3.9</b>
<b>Low-Income Developing Countries</b>	<b>5.2</b>	<b>4.0</b>	<b>5.1</b>

Source: IMF, *World Economic Outlook*, October 2023

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2022/2023 (starting in April 2022) shown in the 2022 column. India's growth projections are 6.5 percent in 2023 and 5.7 percent in 2024 based on calendar year. For Italy, data and forecasts reflect information available through September 21, 2023. For the United Kingdom, data and forecasts do not incorporate the significant statistical revisions released on September 29, 2023.

## Energy crisis, trade war and geopolitical struggle

- The war in the Ukrainian scenario or the tension in Taiwan hide a fight for raw materials, in the midst of the energy and climate crisis, the control of the global value chain and a geopolitical tension between the US and China.
- The second half of 2022 is a stagnation trend, which will turn into recessions in 2023 in some countries, a scenario of stagflation and instability.
- There is a return to restrictive monetary policy with high interest rates. While fiscal policy is made pragmatic to give the state the capacity to finance the military budget or to bail out capital, while public services, entitlements and real wages are adjusted.
- There is no sign of the inauguration of a new long wave. Only a heavy defeat of the workers' movement and a destruction of industrial and financial capital would make it possible, although the energy crisis makes a period of vigorous growth impracticable.



Fuente: Michael Roberts (2022). <https://thenextrecession.wordpress.com/2022/01/22/a-world-rate-of-profit-important-new-evidence/>



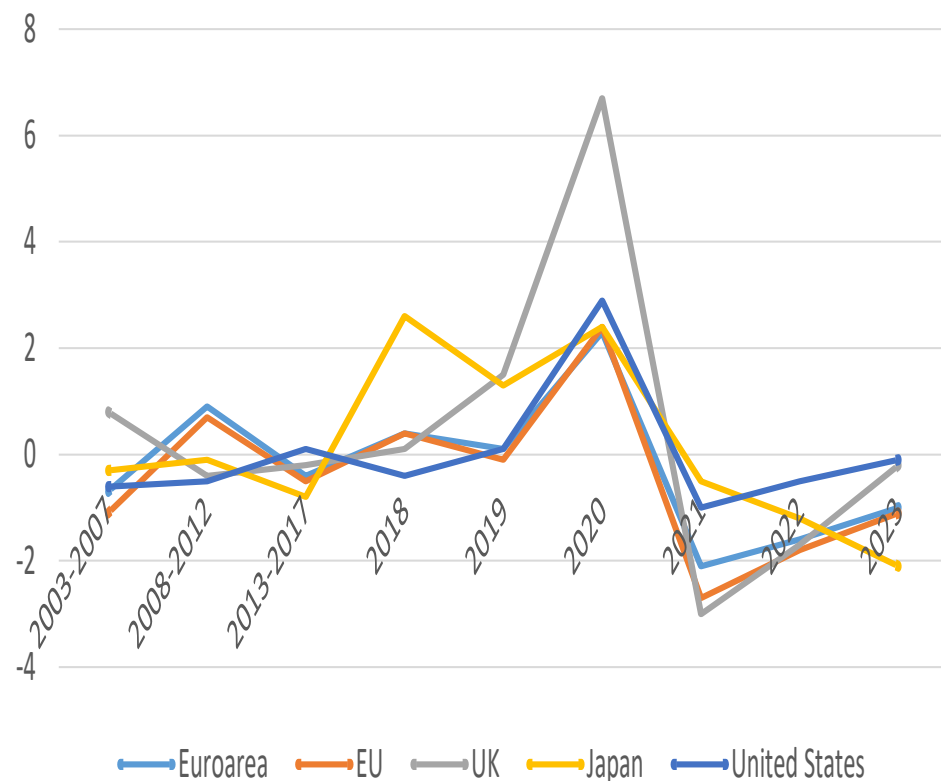
# Factors to restore rate of profit

- Increase in the **rate of exploitation**. Correlation of social forces.
- **Destruction of capital** (fictitious, industrial). Financial crisis or war affecting the industrial apparatus. Increase in the organic composition of capital. Relocation of capital to areas of low organic composition.
- Vigorous **increase in the rate of productivity**.
- International markets.
- **Socio-political transformations**. Rise of State Capitalism and Authoritarian Neoliberalism.
- In general, a **defeat of the working classes**.





## Relative Wage (Real Unit Labour Costs, %change 2003-2023). Selected data and forecast



Source: Own elaboration from European Commission.

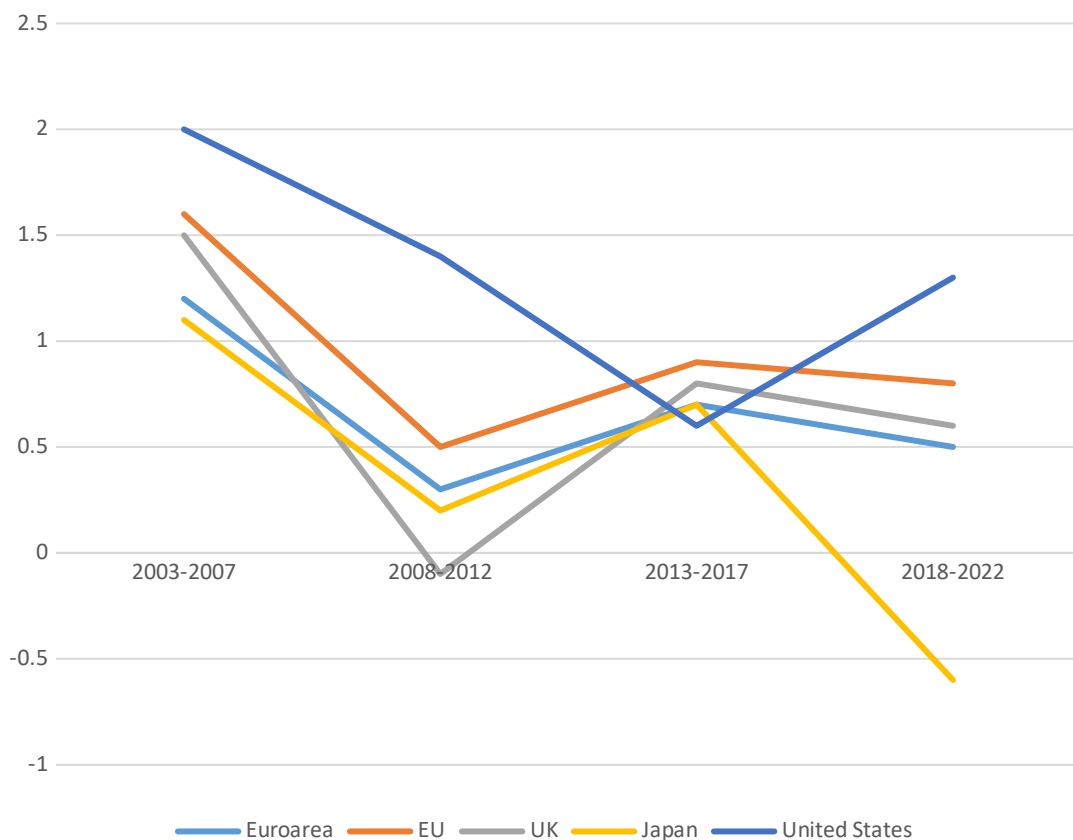
## Real Unit labour costs (Nominal unit labour costs divided by GDP price deflator) (percentage change on preceding year, 2003-2023)

	5 years averages						Spring 2022 forecast		
	2003-2007	2008-2012	2013-2017	2018	2019	2020	2021	2022	2023
Euroarea	-0,7	0,9	-0,4	0,4	0,1	2,3	-2,1	-1,6	-1
EU	-1,1	0,7	-0,5	0,4	-0,1	2,4	-2,7	-1,8	-1,1
UK	0,8	-0,4	-0,2	0,1	1,5	6,7	-3	-1,7	-0,2
Japan	-0,3	-0,1	-0,8	2,6	1,3	2,4	-0,5	-1,2	-2,1
United States	-0,6	-0,5	0,1	-0,4	0,1	2,9	-1	-0,5	-0,1

Source: Taken from European Commission. European Economic Forecast. Spring 2022. Institutional, paper 173 / May 2022 Statistical Annexes. Page 165.



### Labour productivity (real GDP per occupied person) %change 5 years averages (2003-2022)

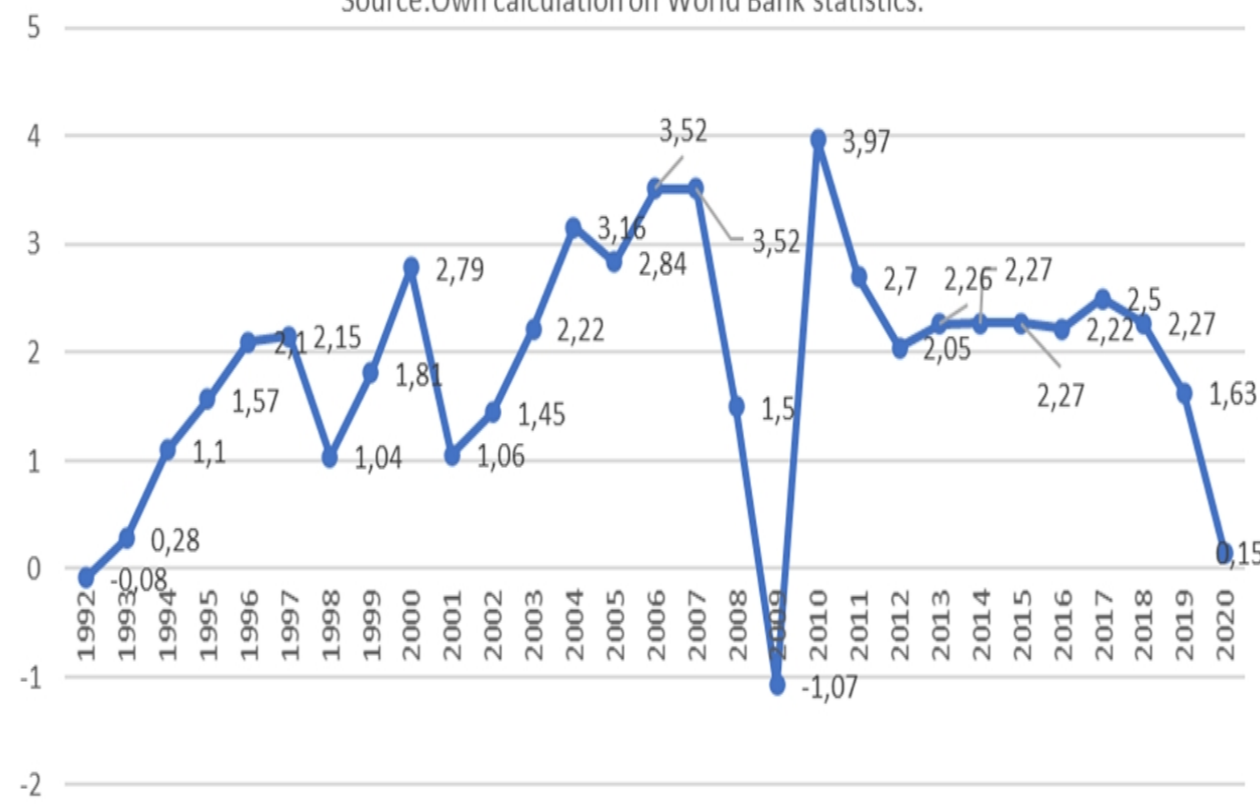


Source: Own elaboration based in European Commission. European Economic Forecast. Spring 2022. Institutional, paper 173 / May 2022 Statistical Annexes. Page 164.

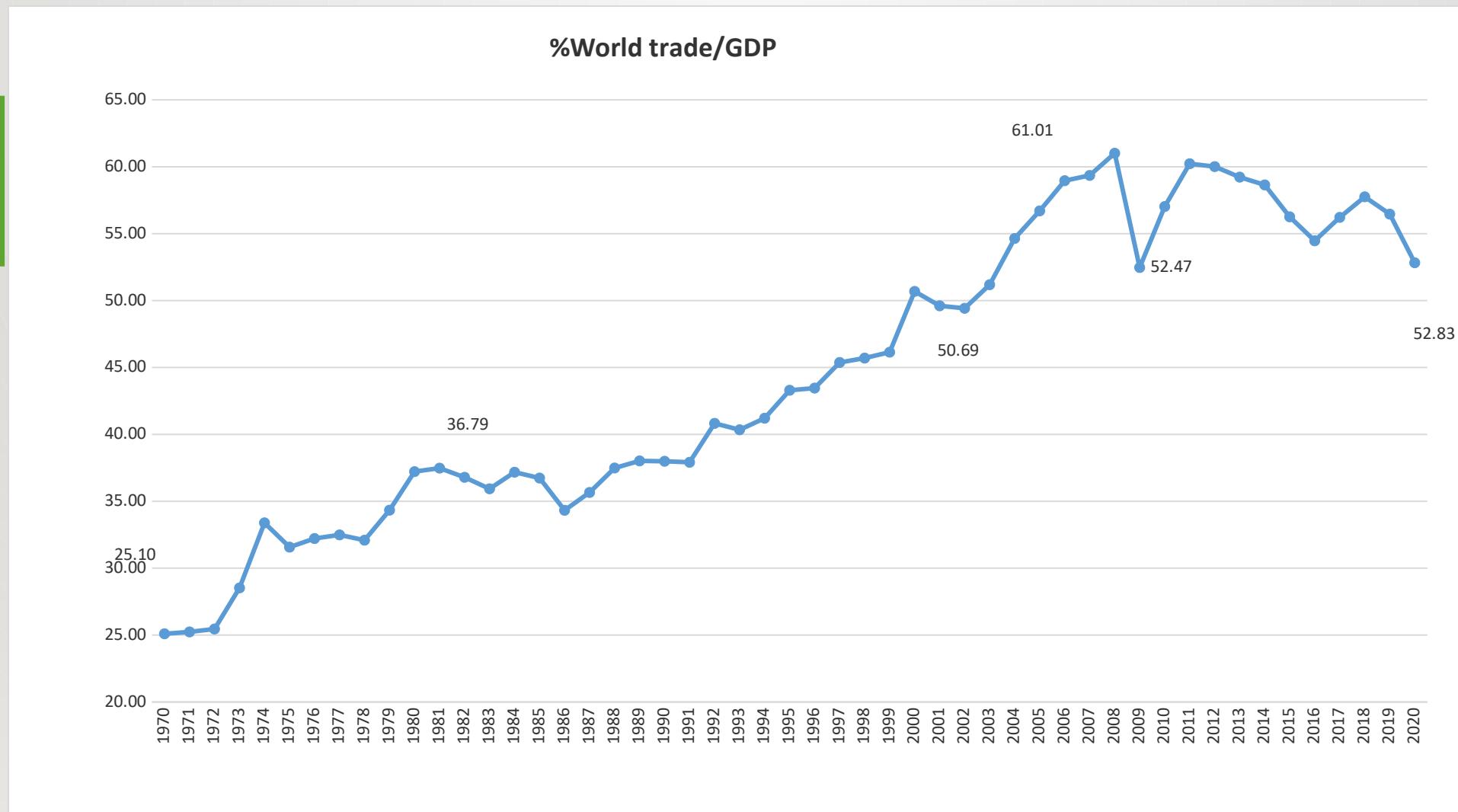
### World Productivity Rate

(Percentage of change of GDP per person employed, constant 2017 PPP\$).

Source: Own calculation on World Bank statistics.



SOURCE: OWN CALCULATION ON WORLD BANK STATISTICS.



Source: World Bank national accounts data and OECD national accounts data files

## Questions to discuss...

- In your group, note, compare and discuss what factors and trends are occurring and affecting the exploitation rate where you live? Try to draw conclusions around the common trends.
- Do you think that there is a different dynamic in the dynamics of accumulation and growth in the countries of the South? Does it make sense to talk about emerging countries?
- Do you think that China could be opening a long expansive wave of its own? Is it enough for it to surpass the US economically to be able to open a new stage in capitalism? Discuss collectively and reason your answer.

