Section 4 of Chapter 2 above has sketched some of the essential elements of a theory of crisis based on the tendential fall of the average profit-rate. The following sections will deal with this topic in greater detail by examining the present crisis. What is first required is an evaluation of the most influential theses that purport to reveal its causes, consequences and possible remedies. There are five alternative explanations.

1. **Alternative explanations**

The first holds that the crisis has originated in the financial/speculative sphere, due to extremely high levels of debt, rampant speculation, a permissive monetary policy, the loosening of rules governing borrowing and lending due to deregulation, and so on. In short, the crisis is the outcome of policy mistakes. The implication is that the crisis could have been avoided if different policies had been chosen. For example, Robin Blackburn states that ‘The source of the problems which surfaced in 2007 – though some had warned about them years earlier – did not lie only in the US deficits or the Fed’s easy money policy. It also lay in an institutional complex and a string of disastrous incentives and agency problems riddling an over-extended system of
financial intermediation’. The obvious question is: since crises are a recurrent and constant given of capitalism, if crises were merely due to the policymakers’ mistakes, why would these mistakes be recurrent and constant? If crises were epiphenomena, why would they recur regularly? Why would their amplitude grow to such a scale that they nowadays affect the whole of the world? Why would they accompany the introduction of capitalism whenever and wherever it penetrates and changes other modes of production? Why cannot policy-makers learn from their mistakes? Obviously, there must be some structural reasons that prevent them from learning from their past mistakes, that is, that force them to continue making these very mistakes.

A second thesis, one that is presently enjoying wide currency within the Left, is underconsumption. In this view, crises are caused by a long-term fall in wages against a rise in labour’s productivity. In the words of Ollman, the workers ‘can buy ever smaller portions of what they themselves produce . . . leading to periodic crises of overproduction/underconsumption’. As for the present crisis, the underconsumptionist thesis holds that the cause of crises has been a long-term fall in wages. Lower wages, it is submitted, instead of increasing the rate of profit, cause it to fall because of failed realisation, first in the consumer-goods sector and from there to other sectors. This is so because, in underconsumptionist fashion, the economy is driven in the last instance not by the movement of the average rate of profit but by aggregate demand. This is demand for consumption-goods by consumers, for investment-goods by the capitalists and for both types of goods for public expenditure by the state. The argument is that the demand for consumer-goods is the crucial element. A fall in the demand for consumer-goods provokes a chain-reaction, because the demand for the means of production needed to produce those consumer-goods falls as well; this fall, in its turn, provokes the fall in the demand for means of production needed to produce those means of production. If wages decrease, a part of the consumption-goods, and thus of the investment-goods, cannot be sold and capital suffers a loss. Consequently, the average rate of profit falls. Lower wages are thus the cause of the crisis. Lower wages, in their turn, have been the result of neoliberal policies. If correct, this thesis would be a powerful critique of neoliberalism. Unfortunately, this is not the case.

1 Blackburn 2008, p. 72. Blackburn only mentions in passing Baran and Sweezy’s theory of overproduction in footnote 44 without elaborating.

2 Ollman 1993, p. 16.