

Marxian Economics 101: Understanding Political Economy for Socialist Struggle in the 21st Century

Ammar

PhD Researcher (Earth Observation, Geo-computing, Urban Informatics), Ulster University

Organiser, [The Struggle \(Pakistan\)](#) | [Socialist Party \(Ireland\)](#)

ammarastan.substack.com | [instagram.com/ammarastan](https://www.instagram.com/ammarastan)

January 1, 2026

Thanks to comrades William Crane (PhD Modern South Asian History, University of Illinois Urbana–Champaign) and Neha Yadav (JNU Delhi alum) for careful editorial comments and proofreading support.

Contents

1	Why this pamphlet? From meme to method	5
2	Method: dialectical and historical materialism	6
2.1	Materialism	6
2.2	Dialectics	7
2.3	Historicity	7
3	Commodities, value, use-value, and exchange-value	8
3.1	Use-value	8
3.2	Exchange-value	8
3.3	Labour and value	9
3.4	Nature, wealth, and the source of value	10
3.5	A modern example: the smartphone	11
4	Abstract and concrete labour; socially necessary labour time	11
5	Labour-power, wages, surplus labour, and surplus value	12
5.1	What the worker sells: labour-power, not labour	13
5.2	Necessary and surplus labour time	13
5.3	Why surplus necessarily appears once labour-power is commodified	14
5.4	Is this “theft”? Contract, coercion, and property relations	15
5.5	Example: a coffee-shop worker	16
5.6	Forms of wages: time-wages and piece-wages	19
5.7	Example: smartphone assembly	21
6	Constant and variable capital; circuits of capital	22
6.1	Constant and variable capital	22
6.2	Circuits of capital	23
7	Rate of profit and organic composition of capital	24
7.1	Illustration: varying the organic composition	24
7.2	Competition, average profit, and prices of production	25
7.3	Modern intuition	28
8	The tendency of the rate of profit to fall and its countertendencies	28
8.1	Counteracting tendencies	29
8.2	Empirical patterns	29

9	Crises, cycles, and unemployment	30
9.1	Overaccumulation and overproduction	30
9.2	Overproduction vs. underconsumption: what the debate is really about . .	30
9.3	The boom–bust rhythm	34
10	Policy fixes, reformism, and the capitalist veto	35
10.1	Minimum wage: why a good law meets a structural constraint	36
10.2	Progressive taxation: redistribution meets capital mobility and state dependence	37
10.3	UBI: cash without decommodification	38
10.4	Quantitative easing and “printing money”: expanding claims versus producing value	38
10.5	Job guarantees and Keynesian stimulus: demand management without investment control	39
10.6	Debt relief, jubilees, and bailouts: revaluing claims without transforming production	39
10.7	“Green capitalism”: carbon markets, offsets, ESG, and climate finance	40
10.8	Regulation-only fixes: antitrust and “better governance”	40
10.9	The general point: what these fixes can and cannot do	41
10.10	Reforms as struggle: making gains durable by confronting power	41
11	Financialisation, real estate, and fictitious capital	42
11.1	Fictitious capital	42
11.2	Tech hype as a vehicle for speculative valuation	43
11.3	Example: real estate and speculation in Pakistan	44
12	Why social democracy was a conjuncture, not an alternative system	45
12.1	Colonialism, the world market, and why capital must expand	45
12.2	War, depression, and the reorganisation of capitalism (1914–1945)	46
12.3	The post-war boom and the social-democratic compromise (roughly 1945–early 1970s)	47
12.4	Why the boom broke: profitability, stagflation, and the crisis of the 1970s . .	48
12.5	Monetarism and neoliberalism: restoring class power	48
12.6	The global South as laboratory: debt, coups, and structural adjustment . . .	49
12.7	Belated capitalism, combined and uneven development, and the bourgeois-democratic impasse	49
12.8	Financialisation and bubble-led management: dot-com to housing	50

12.9	After 2008: austerity, revolt, and the rise of the far right	51
12.10	Why you cannot simply “return” to social democracy today	52
12.11	What this means for strategy: reforms as struggle, socialism as a necessity .	53
13	Imperialism, global value chains, and unequal exchange	53
13.1	Unequal exchange in practice	54
13.2	Debt, austerity, and structural adjustment	55
14	Social reproduction, unpaid labour, and gender	55
14.1	Unpaid and underpaid labour	56
14.2	A broader view of class struggle	56
15	Technology, AI, and the future of work	57
15.1	Automation and the law of value	57
15.2	AI as a class weapon	58
15.3	Data centres, ecological cost, and democratic control of computation	58
16	From critique to transition: why this matters for you	59
16.1	Diagnosing everyday exploitation	59
16.2	Beyond capitalism: a world beyond exchange-value	60
16.3	Your place in the struggle	60
A	Marxian notation at a glance	62
B	Glossary and acronyms	65
	References and further reading	69

1 Why this pamphlet? From meme to method

On social media, you might see a graph about “the tendency of the rate of profit to fall” or a meme about capitalism “needing infinite growth on a finite planet”. The references are often to Karl Marx, but the underlying method and mathematics are rarely explained carefully.

This pamphlet is a long-form attempt to do that work.

A major reason careful method matters today is the culture of techno-utopianism. We are repeatedly told that some new technology—a platform, a blockchain, a “smart” city, a generative model—will fix politics, fix inequality, or fix ecology. Under capitalism, these claims typically slide past the central question: *what changes in property relations, and therefore in the organisation of production and reproduction?* A tool can be technically impressive and still function primarily as a way to create new markets, intensify labour, privatise public goods, or inflate speculative valuations.

In Marxian terms, this hype often functions as the cultural face of fictitious capital: it helps capitalise expectations of future monopoly positions and rent streams into present valuations, long before any socially useful diffusion has occurred. This pamphlet therefore treats technology neither as a saviour nor as a demon. The Marxian approach is more concrete: ask who owns the means of production (including digital infrastructure), what labour processes the tool reorganises, how it shifts socially necessary labour time and the pace of work, and how it creates new opportunities for surplus extraction, monopoly rent, and control. That is the only way to separate technical possibility from capitalist deployment.

With that in mind, it is aimed at two overlapping readers:

- the **university student**—often taught neoclassical economics and game theory while hearing that Marx is “relevant but outdated”, and
- the **modern urban worker**—in a call centre, logistics warehouse, software firm, school, hospital, or gig platform—who feels that their life is organised around work, debt, and stress, yet is told that “the economy” is an abstract thing they have no say in.

Marxian political economy offers:

1. a **method**—dialectical and historical materialism—for understanding how societies organise production and reproduction;

2. a **set of concepts and equations**—value, surplus value, constant and variable capital, the rate of profit, the organic composition of capital—that link everyday exploitation to macro dynamics; and
3. a **perspective on social change**: why capitalism generates recurrent crises and how collective action can point beyond it.

The aim is not to turn you into a specialist, but to give you enough conceptual and mathematical grip that you can read Marx, contemporary Marxist work, and even mainstream economic reports without feeling like the equations and jargon are a priestly language.

Throughout, we will move back and forth between:

- *basic definitions* (commodities, value, labour-power),
- *formal relations* (simple equations and tables), and
- *concrete examples* (smartphone supply chains, garment workers in Bangladesh, real-estate speculation in Pakistan, logistics warehouses, platform work, AI, automation).

Whenever we write c , v , s , r , or e , we are using a standard Marxian shorthand. A summary of these symbols is given in Appendix A, and they are developed in more detail in Sections 5–7.

2 Method: dialectical and historical materialism

Marx did not start from ethics (*capitalism is bad because it is unfair*) but from a method of analysing how societies reproduce themselves over time. In his words, capitalism is a “definite mode of production” with its own laws of motion.[1, 3]

2.1 Materialism

Materialism starts from the simple fact that humans must labour on nature to survive: grow food, build shelter, care for children, maintain bodies, repair machines. The way this labour is organised—who controls the means of production, who performs which tasks, who receives what share of the output—gives rise to classes and class struggle.

The categories of Marxian economics are therefore not timeless. They are historical forms of social relations. Wage-labour, profit, interest, rent, and the world market are specific to capitalism, just as tribute, serf labour, and feudal dues were specific to feudalism.

2.2 Dialectics

Dialectics means thinking in terms of **contradictions** and **totalities**, not isolated variables.

- A commodity is simultaneously useful (*use-value*) and an item for sale (*exchange-value*).
- Labour is simultaneously concrete activity (teaching, sewing, coding) and an abstract expenditure of human energy that creates value.
- Capitalist development raises productivity but also tends to reduce the share of living labour in production, undermining the very source of surplus value.

The dialectical move is to see how these opposites presuppose and transform each other, rather than choosing one side. For instance, capitalism cannot live without wage-labour; yet it constantly tries to replace workers with machines and algorithms. It cannot live without states and borders; yet it also needs global supply chains and mobile capital.

2.3 Historicity

Historical materialism insists that our categories are historically specific. The laws of motion of capitalism emerge from the separation of producers from the means of production, the generalisation of commodity exchange, and the subordination of production to profit.

The task is therefore to reconstruct, conceptually and empirically, how this mode of production works: from the commodity up to crises, imperialism, and the possibility of transition.[\[4, 9\]](#)

A note on levels of abstraction. The ordering of this pamphlet follows a Marxist movement from the abstract to the concrete, and from the simplest form of appearance to the more complex totality it presupposes. We begin with the commodity and the value-form, because capitalism first confronts us as a world of commodities, prices, and exchange relations. We then move to labour-power as a peculiar commodity, because only there do we find the hinge that makes profit compatible with apparently equal exchange. From that pivot we develop the production of surplus value (necessary and surplus labour time) and the rate of exploitation, before turning to how competition redistributes surplus value and, through the formation of prices of production, generates systematic divergences between values and market prices (see Section [7.2](#)). On that basis we can treat credit and fictitious capital as claims on future surplus value that can expand well beyond the limits set by production and realisation, and therefore become a central transmission belt of crisis.

We then extend the analysis to world-scale determinations—imperialism and unequal exchange—and to the reproduction of labour-power (social reproduction) as a material condition of accumulation, not a separate moral or cultural “add-on.” Finally, we return to contemporary restructurings of the labour process and capitalist control (including platform power and AI): changes in technology and organisation that can transform how exploitation is administered and intensified, without abolishing the underlying relations that make value and accumulation possible.

3 Commodities, value, use-value, and exchange-value

Marx opens *Capital* with the line that the wealth of societies where the capitalist mode of production rules appears as an “immense collection of commodities”.^[1] A **commodity** is, at minimum:

1. a useful thing (**use-value**); and
2. produced for exchange, not direct use (**exchange-value**).

A handmade meal cooked by you at home for yourself is not a commodity; the same meal produced in a commercial kitchen and sold through a delivery app is.

3.1 Use-value

Use-value is about the concrete usefulness of a thing: food nourishes, a phone enables communication, a medicine treats a disease. Use-values are qualitative and historically varied. They exist in all societies.

3.2 Exchange-value

Exchange-value is the quantitative relation in which one commodity exchanges for another on the market: one coat for twenty metres of linen, one hour of a developer’s labour for a certain wage, one laptop for a certain sum of money. In capitalist societies, this relation is typically expressed in money.

Money and markets can exist in many kinds of society; merchants traded, coins circulated, and taxes or tribute were sometimes paid in money long before capitalism. In many pre-capitalist settings exchange was episodic, bounded by custom, tribute, or status, and money did not function as a universal mediator of everyday life. Large parts of life were

organised through direct obligation and production for use (rent in kind, customary dues, corvée labour, household and village production), with commodity exchange often limited or secondary to these relations. Capitalism generalises commodity exchange so that money becomes the *universal equivalent*: most goods and services are routinely bought and sold, and survival itself depends on access to money. That is why under capitalism the typical question is not only *what* is produced, but *what can be sold*, and for how much—including the selling of labour-power for wages.

When exchange-value is expressed in money, it appears as a **price**; later we return to why prices do not always coincide with underlying values.

What interests Marx is: *what regulates these exchange ratios over the long run*? Why does a high-end smartphone sell for many times the price of a sack of rice, even though rice is more essential to life?

3.3 Labour and value

Marx's answer is the labour theory of value. Very roughly, the value of a commodity grows in proportion to the amount of socially necessary labour time it takes to make it.

$$V_i = \mu L_i^{\text{SN}}, \quad (3.1)$$

where:

- V_i is the value (in money terms) of *one unit* of commodity i ;
- L_i^{SN} is the *socially necessary labour time* required to produce one unit of commodity i : that is, the labour time needed under *average* conditions of production, with average skill and intensity, using the prevailing technology; and
- μ is the **monetary expression of labour time** (MELT): a proportionality constant that converts labour-time into money magnitudes, i.e. the amount of money that corresponds to one hour of socially necessary labour time in a given country and period (money per hour of SNLT).

We formalise SNLT as a social average across producers in Section 4 (Eq. (4.1)).

A further clarification is needed. The labour-time that regulates value is *social* labour reduced to a common unit of **simple labour**. Concrete labours differ in skill, training, and

intensity; Marx treats *complex* (skilled) labour as *multiplied simple labour*—that is, one hour of skilled labour counts as several hours of average labour. Capitalism performs this reduction in practice behind our backs, through training costs (often borne by households and the state), wage hierarchies, and competitive norms that define what counts as “average” labour in each branch.

If a certain smartphone model typically takes 4 hours of direct and indirect labour time across the global supply chain (direct assembly labour plus the labour embodied in parts, transport, and logistics), and a basic T-shirt takes 0.5 hours, then the ratio of their values (and thus their exchange-values in the value-theoretic sense) will tend, other things equal, to be about

$$\frac{V_{\text{phone}}}{V_{\text{shirt}}} = \frac{\mu L_{\text{phone}}^{\text{SN}}}{\mu L_{\text{shirt}}^{\text{SN}}} \approx \frac{4}{0.5} = 8,$$

so the phone’s exchange-value tends to be about eight times the shirt’s (an 8:1 ratio).

Market prices fluctuate around these values due to supply, demand, speculation, brand power, and state policy, but in Marx’s framework the underlying regulator of prices over the long run is labour time *through competition and the formation of prices of production* (see Section 7.2). In other words, value does not appear on the surface as a direct “price tag”: it asserts itself through competitive pressures, productivity differences, and the redistribution of surplus value across capitals.

3.4 Nature, wealth, and the source of value

A common confusion (especially in climate politics) is to say: “If nature is essential, then nature must be the source of value.” Marx’s position is more precise.

- **Nature is indispensable to production:** it provides materials, energy flows, ecosystems, and conditions of life. Without nature there is no labour process and no material wealth.
- **Nature is a source of use-values (material wealth):** some use-values exist with little or no human labour (sunlight, air, wild fish), while most are produced by labour working on nature.
- **Value** (in the Marxian sense) is a *social form* specific to generalised commodity production: it is labour-time that society is compelled to treat as commensurable through exchange, regulated by **socially necessary labour time** and expressed in money.

So Marx does not deny nature. He is distinguishing categories. Nature helps determine

how much labour is required (by shaping productivity conditions and material inputs), but under capitalism it is labour-time that appears *as value* in the dominant social accounting of wealth.

This distinction matters because capitalism can *increase* physical throughput and ecological harm while *reducing* the value embodied per unit (if productivity rises and SNLT falls). In other words: more stuff, faster, with higher energy and extraction, can coincide with falling labour-time per unit. That is one reason ecological crisis and profitability pressures can move together rather than separately.

When natural conditions become *monopolised* (land, location, minerals), payments for access appear as *rent*. Rent is not value created by nature; it is a claim on surplus value created elsewhere, enforced by property rights over natural conditions.[2]

3.5 A modern example: the smartphone

Consider a mid-range smartphone assembled in southern China for a large brand.[19, 14]

- The phone retails in London for, say, £800.
- The total wage bill for assembly workers per phone might be on the order of £10–£15.
- The rest of the price covers constant capital (components, machinery depreciation, logistics), marketing, design, and various profits and rents.

The exchange-value of the phone vastly exceeds the direct wages paid in the factory. Part of the explanation is that value from many segments of the global supply chain is realised in the final sale; part is that monopolistic firms capture *surplus value* generated across the chain. To understand how, we need to go deeper into labour, surplus, and capital.

4 Abstract and concrete labour; socially necessary labour time

Every act of labour is concrete: a nurse tending patients, a teacher preparing a lesson, a coder debugging, a farmer transplanting rice seedlings. Concrete labour produces specific use-values.

At the same time, under capitalism, labour also counts as an *abstract* expenditure of human energy that can be compared across jobs: eight hours of call-centre work and eight hours

of garment stitching are treated as equal quantities of homogeneous labour time on the market.

The reduction of concrete labour to abstract labour happens socially, behind the backs of individuals, through the discipline of competition and the wage relation. If a firm uses more labour time per unit than the social average, it loses out.

We can formalise the idea of socially necessary labour time (SNLT) for a given commodity i as an output-weighted average over firms:

$$L_i^{\text{SN}} \approx \frac{\sum_{j=1}^n q_{ij} L_{ij}}{\sum_{j=1}^n q_{ij}}, \quad (4.1)$$

where L_{ij} is the direct and indirect labour time *per unit* of commodity i at firm j , measured at normal intensity and average skill for the period, and q_{ij} is firm j 's *socially realised* output of commodity i in the period (i.e. output that is validated in exchange). Competition tends to penalise high- L_{ij} producers (those using more labour time per unit than the social average) through profit squeezes and loss of market share, shifting production toward lower- L_{ij} techniques and pulling the socially necessary time toward what is required under prevailing, normal conditions. The precise social process is more complex, but the key point is: value depends on the *average* conditions of production, not any individual firm's whims.

If a new technology halves the labour time required while becoming the industry norm, the value of the commodity falls—even if the selling price only gradually adjusts.

5 Labour-power, wages, surplus labour, and surplus value

A central conceptual breakthrough in *Capital* is the distinction between **labour** and **labour-power**.^[1]

- **Labour-power** is the worker's capacity to work, treated as a commodity. Its value is the SNLT embodied in the worker's means of subsistence: food, housing, clothing, education, healthcare, social support.
- **Labour** is the actual activity performed during the working day.

The capitalist buys labour-power for a wage, but receives labour itself. The secret of profit lies in the difference between the value produced by labour and the value of labour-power.

5.1 What the worker sells: labour-power, not labour

In everyday speech we say workers “sell their labour.” Marx insists this is misleading. What workers sell is *labour-power*: the capacity to work for a given time under the employer’s control.

That distinction is not a semantic trick; it is the logical key. If workers sold *labour itself* as a commodity, then its price (the wage) would have to equal the value labour produces. Profit would be impossible except by cheating.

Under capitalism, the wage can be an *equivalent* exchange even while exploitation occurs, because the exchange is:

$$\text{wage} \longleftrightarrow \text{labour-power for } T \text{ hours,}$$

and the *use-value* of labour-power is precisely that it can create new value during those T hours. The capitalist pays for the reproduction cost of that capacity (the value of labour-power), but purchases control over its use in production for the whole working day.

So the contract is for *labour-power*, not labour itself. This distinction is the hinge of the pamphlet: it lets us explain exploitation without assuming cheating, and it lets us define v and s in a way that maps directly onto the working day.

In Marx’s shorthand, v (variable capital) is the value advanced as wages to buy labour-power. When labour-power is put to work for the full T hours, it creates new value greater than v . The portion of new value that merely replaces the wage is *necessary labour* (corresponding to v), while the remaining portion is *surplus value* s , the money-form of unpaid surplus labour time.

We can now state this in the simplest temporal form: split the working day into the portion that reproduces the wage and the portion that produces surplus.

5.2 Necessary and surplus labour time

Assume the worker is paid the full value of labour-power, v (no cheating). In production, living labour adds new value; call the new value created in the day $(v + s)$. Since the capitalist owns the product, the worker receives v while the remainder s is appropriated as surplus-value. The puzzle is resolved: equal exchange in the wage contract is compatible with exploitation because the use-value of labour-power is value-creating labour.

Let the working day be T hours. Suppose the value of the worker's labour-power corresponds to T_N hours of labour—the *necessary* labour time. The remaining

$$T_S = T - T_N, \quad (5.1)$$

is *surplus labour time*, during which the worker produces value for the capitalist without equivalent wages.

The new value created in the day is proportional to T , but the worker is only paid for T_N . The surplus value is proportional to T_S :

$$v \propto T_N, \quad s \propto T_S.$$

We can therefore capture the rate of surplus value, or *rate of exploitation*, as

$$e = \frac{s}{v} = \frac{T_S}{T_N}, \quad (5.2)$$

because the proportionality factors cancel when we take the ratio.

Here, v is the value of variable capital—the wages advanced—and s is the surplus value extracted.

5.3 Why surplus necessarily appears once labour-power is commodified

Now we can state the logic in one chain.

Let the money-value created per hour of socially necessary labour be μ (money/hour). If the working day lasts T hours, then the new value created in the day is:

$$\text{new value} = \mu T.$$

If the value of labour-power corresponds to T_N hours of socially necessary labour, then the wage (variable capital) corresponds to:

$$v = \mu T_N.$$

But the capitalist has purchased control over labour-power for the *whole* day T , so the

surplus value is the difference:

$$\begin{aligned}s &= \mu T - \mu T_N \\ &= \mu (T - T_N) \\ &= \mu T_S.\end{aligned}$$

So s is not a moral hypothesis; it is the quantitative expression of surplus labour time, mediated through money.

This is why Marx insists on the labour / labour-power distinction: without it, you cannot explain profit *as a normal outcome of equivalent exchange*.

5.4 Is this “theft”? Contract, coercion, and property relations

It is tempting to describe surplus value as “wage theft.” Sometimes employers *do* literally steal wages (illegal non-payment). But Marx’s concept of exploitation is deeper than that.

None of this denies *illegal* wage theft (non-payment, underpayment, forced overtime without pay, etc.). Those are real and widespread. The point here is analytical: even if every boss paid exactly what the law and contract stipulate, exploitation would still occur so long as labour-power is bought as a commodity and the product is owned by capital. The core problem is not a defective contract; it is the property relation that makes the contract necessary in the first place.

In the normal case, exploitation does not require the capitalist to cheat the worker at the point of exchange.

The wage contract can be formally voluntary and “fair” in the sense that the worker is paid the value of labour-power. The point, as shown in Section 5.1, is that exploitation is compatible with equivalent exchange because capital purchases control over labour-power for the whole working day, not the value the worker will create.

The coercion is *structural*: workers are separated from the means of production and must sell labour-power to live. Because capital owns the workplace, machines, land, and inputs, it also owns the product and the surplus. That is why exploitation is a property relation reproduced daily through “free” contracts.

So the Marxian claim is:

- exploitation is not primarily a matter of bad individuals stealing;

- it is a normal outcome of capitalist production once labour-power is a commodity;
- therefore it cannot be abolished by moral appeals or contract reform alone, while the wage relation and private ownership of the main means of production remain.

This is exactly why the horizon of struggle is not only better terms inside the wage relation, but ultimately the abolition of the wage relation itself.

5.5 Example: a coffee-shop worker

Consider a barista in a large coffee chain in a global North city.

Example 5.1 (A coffee-shop worker). Suppose:

- The shop sells drinks and snacks worth \$800 during an 8-hour shift.
- Of this, \$300 covers the value of used-up constant capital (beans, milk, cups, energy, machine depreciation) — this is c .
- The barista's wage bill for the shift is \$100 — this is v .

We want to find:

- the new value created by living labour during the shift ($v + s$),
- the surplus value s ,
- the rate of exploitation e , and
- how many hours of the 8-hour day are necessary labour time and how many are surplus labour time.

Step 1: Separate the value created by labour from the value of used-up machinery and inputs

The total value of the day's output is \$800. Of this, \$300 is just the value of used-up constant capital c being transferred to the finished products. The remainder must therefore be new

value created by living labour:

$$\text{Total value of output} = \$800,$$

$$\text{Value of used-up constant capital } (c) = \$300,$$

$$\begin{aligned}\Rightarrow \text{New value created by labour } (v + s) &= \text{Total value} - \text{Constant capital} \\ &= \$800 - \$300 \\ &= \$500.\end{aligned}$$

So the labour of the barista has added \$500 of new value during the shift:

$$v + s = \$500.$$

Step 2: Split this new value into wages and surplus-value

Out of this \$500 of new value, the capitalist pays the barista \$100 as wages. This \$100 is the value of variable capital v :

$$v = \$100.$$

The rest of the new value is surplus-value s :

$$\begin{aligned}s &= (v + s) - v \\ &= \$500 - \$100 \\ &= \$400.\end{aligned}$$

So

$$s = \$400.$$

Step 3: Compute the rate of exploitation

The *rate of exploitation* (or *rate of surplus-value*) is defined as the ratio of surplus-value to variable capital:

$$e = \frac{s}{v}.$$

Plugging in our numbers:

$$\begin{aligned} e &= \frac{s}{v} \\ &= \frac{\$400}{\$100} \\ &= 4. \end{aligned}$$

As a percentage:

$$e = 4 \times 100\% = 400\%.$$

This means that, measured in value terms, the barista produces four times as much surplus for the owner as they receive back in wages.

Step 4: Translate the value relations into hours of the working day

The barista works an 8-hour shift. We know that, in value terms,

$$v : s = 100 : 400 = 1 : 4.$$

So, of the *new* value (\$500) created in the day, one-fifth belongs to necessary labour (reproducing the wage) and four-fifths is surplus labour.

Necessary labour time is therefore one-fifth of the working day:

$$\begin{aligned} \text{Necessary labour time} &= \frac{v}{v + s} \times 8 \text{ hours} \\ &= \frac{100}{500} \times 8 \\ &= 0.2 \times 8 \\ &= 1.6 \text{ hours.} \end{aligned}$$

The remaining part of the working day is surplus labour time:

$$\begin{aligned} \text{Surplus labour time} &= 8 \text{ hours} - 1.6 \text{ hours} \\ &= 6.4 \text{ hours.} \end{aligned}$$

So in this simple coffee-shop example:

- In the first 1.6 hours of the shift, the barista produces value equivalent to their own wage (necessary labour time).
- In the remaining 6.4 hours, they produce surplus-value for the owner (surplus labour time).
- Over the whole day, the rate of exploitation is $e = 400\%$: for every \$1 paid in wages, \$4 of surplus-value is extracted.

This does *not* mean that the branch manager personally pockets \$400. The surplus value is divided, through complex mechanisms, into different forms of revenue: profit of enterprise, interest on loans, rent to the landlord, franchise fees to the global brand, and taxes to the state. Marx's key point is that all of these streams ultimately originate in unpaid surplus labour time like that of this barista.

5.6 Forms of wages: time-wages and piece-wages

Marx treats wages not only as a magnitude (v) but also as a *form* that can conceal exploitation.^[1] Two classic forms are time-wages and piece-wages.

Time-wages

Under **time-wages**, the worker is paid per unit of time (hour/day/week/month). Let the money wage per hour be w_h and the paid hours in the period be T . Then the *money wage bill* is

$$W_w = w_h T.$$

Time-wages make it appear as if the worker is paid for *all* labour performed in those hours. But in Marxian terms, the wage is the price of *labour-power*, not the price of *labour*. What is purchased is the worker's capacity to labour for T hours under capital's control. The wage corresponds (in value terms) to v , the value of labour-power, i.e. the socially necessary labour time required to reproduce the worker.

To connect money-wages to labour-time, introduce the monetary expression of labour time (MELT), μ (money per hour of socially necessary labour time). Then the value of labour-power corresponds to a quantity of necessary labour time T_N , and (schematically)

$$v = \mu T_N, \quad W_w \approx v.$$

The approximation sign here flags that money-wages and market prices do not, in general, equal values. Section 7.2 explains how competition and the tendency toward an average rate of profit generate prices of production that systematically diverge from values; market power, state policy, and world-market (exchange-rate and terms-of-trade) conditions can produce further, conjunctural deviations. The key point is conceptual: even if W_w equals the value of labour-power (no cheating), exploitation can still occur because the use-value of labour-power is value-creating labour for a longer working day than T_N .

Piece-wages

Under **piece-wages**, the worker is paid per unit output. Let output per hour be q units/hour and the piece rate be w_p money/unit. Then hourly pay is:

$$w_h = w_p q \quad \Rightarrow \quad w_p = \frac{w_h}{q}.$$

Marx's key point is that piece-wages are not a different substance of payment: they are *time-wages in disguise*. The piece-rate is derived from an assumed *normal* output per unit time (a socially enforced "standard" pace of work), and the worker is then pushed to meet or exceed that norm. Piece-wages therefore do not abolish time-wages; they are typically a *modified* time-wage in which the wage is tied more directly to labour intensity and output. In practice, this form often sharpens managerial control: it individualises pay, intensifies labour, and can shift risks of stoppages, defects, and speed-up onto workers, while leaving the basic relation unchanged—labour-power is still bought for a period, and surplus labour can still be extracted within (or by extending) the working day.

Why this matters

Piece-wages tend to:

- intensify labour (workers self-discipline to increase q);
- shift monitoring costs from management to workers ("the numbers" police you);
- increase competition among workers and weaken collective pacing and breaks.

But the underlying relation remains: the worker produces new value during the whole working day, while the wage corresponds to the value of labour-power. Wage-forms alter how exploitation is *experienced*, enforced, and fought over; they do not abolish the exploitation relation itself.

5.7 Example: smartphone assembly

Note on values and prices. For simplicity in these numerical examples, treat observed money prices and costs as proportional to underlying values. In reality, prices can systematically deviate from values through competition and the redistribution of surplus value via prices of production; see Section 7.2. Market power, state policy, and world-market conditions can generate further deviations around these regulating prices.

Return to the smartphone example. Suppose a batch of phones sells for \$1.4 million. The costs are:

- $c = \$1,000,000$ in components, depreciation, logistics.
- $v = \$200,000$ in direct wages at the assembly plant.

If the phones sell for \$1.4 million, the surplus value *realised* on this batch is

$$s = \$1,400,000 - (\$1,000,000 + \$200,000) = \$200,000. \quad (5.3)$$

The exploitation rate for the assembly labour (in this simplified example) is

$$e = \frac{s}{v} = \frac{\$200,000}{\$200,000} = 1 \quad \Rightarrow \quad e = 100\%. \quad (5.4)$$

Two cautions matter for Marxian precision.

First, this arithmetic treats money magnitudes as proportional to values for clarity. In reality, competition, productivity differentials, and market power generate systematic value–price divergences (see Section 7.2); we flag this here but abstract from those divergences in the worked numbers.

Second, surplus value is produced where *productive labour* is set to work in production processes that create commodities (or commodity-services) for sale. Much of what happens “downstream” (advertising, branding, some retail functions, finance) is better analysed as the *realisation* and *redistribution* of surplus value rather than its direct production. The brand and its shareholders can nonetheless capture surplus generated across the global chain through control of intellectual property, market access, finance, logistics, and pricing power (including transfer pricing and monopoly rents).[14, 20]

6 Constant and variable capital; circuits of capital

To move from exploitation at the point of production to the dynamics of the system as a whole, we need to distinguish types of capital.[1]

6.1 Constant and variable capital

- **Constant capital** (c) is the value of the means of production: machinery, buildings, raw materials, intermediate goods. Its value is *transferred* to the product but does not itself create new value.
- **Variable capital** (v) is the value advanced to buy labour-power (wages, broadly understood). It is called “variable” because it is the part of capital that can create more value than it costs.

If we consider one turnover of capital, the **value** of the total commodity product is:

$$W = c + v + s. \quad (6.1)$$

The **cost price** for the capitalist is:

$$k = c + v, \quad (6.2)$$

while the surplus value s is the excess of value over cost.

Why “selling above market price” cannot explain profit. A common intuition is that profit comes from *selling dear*: buy for 100, sell for 120. But as a general explanation of profit for the whole capitalist class, this cannot work.

Example (1): pure price mark-up is redistribution, not creation. Suppose Merchant A buys a commodity for \$100 and sells it to Merchant B for \$120. A gains \$20, but B has paid \$20 more than the prevailing market price. Across the two merchants taken together, no new value is created *by this exchange*; \$20 has simply been transferred from B to A. If *everyone* tried to “sell above market price” at the same time, the “market price” would just re-set upward. The question would return in the same form: where does the extra money come from *in the aggregate*?

Example (2): profit without any mark-up. Now consider a capitalist who advances $c = 80$ for inputs and depreciation, and $v = 20$ in wages. Living labour produces new value

$v + s = 40$, so the commodity product has value

$$W = c + v + s = 80 + 20 + 20 = 120.$$

If the capitalist sells the output *at its value* \$120 (no overcharging at all), the cost price is $k = c + v = 100$, so profit is

$$W - k = 120 - 100 = 20,$$

which is exactly the surplus value s .

Selling above (or below) value can redistribute surplus value between capitals (as shown in Section 7.2), especially under monopoly power. But the system-wide source of profit is surplus value extracted from labour-power. Profit appears here even though the commodity is sold at its value, because the source is the surplus value s created in production.

With this cleared up, we can return to the movement of capital itself: how money is advanced, turned into means of production and labour-power, and then returns expanded as M' . This is what Marx captures in the basic circuits of circulation.

6.2 Circuits of capital

Marx contrasts two circuits:

$$C-M-C : C \rightarrow M \rightarrow C, \tag{6.3}$$

$$M-C-M' : M \rightarrow C \rightarrow M'. \tag{6.4}$$

- In $C \rightarrow M \rightarrow C$, a small producer sells a commodity C for money M to buy another commodity C (e.g. a farmer selling grain to buy tools and food). The goal is use-value.
- The same overall form also describes the *worker's* circuit, with an important twist. The worker does not usually sell a finished commodity they own; they sell their **labour-power** (the capacity to work for a period) for a money wage M . That wage is then spent to buy commodities C needed to live and to return to work tomorrow—food, transport, rent, childcare, medicine, and so on. In that sense the wage is not payment for *all* the value the worker creates; it is the money form of the value of labour-power, i.e. the cost of reproducing the worker as a worker. This is why questions of households, care, and

unpaid work (social reproduction) are not “outside” political economy: they are part of the conditions of possibility of wage-labour itself.

- This is also why money is not a neutral “medium” hovering above society. In capitalism it becomes the everyday form of constraint: you do not access housing, food, transport, care, or time directly; you access them *through wages*. Nature does not demand coins for land, water, or energy. The demand comes from property and enforcement: social structures that monopolise conditions of life and charge for entry. Money is therefore not merely a tool of exchange; it is the social form in which private control over social wealth confronts the majority as a daily requirement.
- In $M \rightarrow C \rightarrow M'$, a capitalist advances money M to buy labour-power and means of production C , producing commodities that are sold for $M' = M + \Delta M$. The goal is the increment ΔM , i.e. surplus value realised in money-form as profit.

Capital is therefore best understood not as a thing (a machine) but as a social relation and a circuit: **value in motion that valorises itself through the exploitation of labour, and that necessarily appears and is realised in monetary form as $M \rightarrow M'$.**

7 Rate of profit and organic composition of capital

The **rate of profit** is the central ratio from the capitalist point of view. It measures the surplus value obtained per unit of total capital advanced:

$$r = \frac{s}{c + v}. \quad (7.1)$$

From the definition of the exploitation rate in Eq. (5.2), $e = s/v$, we have $s = ev$, so we can rewrite the rate of profit as

$$r = \frac{ev}{c + v} = \frac{e}{1 + c/v} = \frac{e}{1 + \text{OCC}}, \quad (7.2)$$

where $\text{OCC} = c/v$ is the organic composition of capital.

7.1 Illustration: varying the organic composition

Suppose, for simplicity, that the exploitation rate is fixed at $e = 100\%$, i.e. $s = v$, and set $v = 100$ as a numéraire. We examine what happens to r as the ratio c/v rises.

c/v	c	s	$r = \frac{s}{c+v}$
0.5	50	100	$\approx 66.7\%$
1.0	100	100	50.0%
2.0	200	100	$\approx 33.3\%$
4.0	400	100	20.0%
8.0	800	100	$\approx 11.1\%$

Even with a constant rate of exploitation $e = s/v = 100\%$, the rate of profit r falls as capital becomes more “machine-heavy” relative to wages (as the ratio c/v rises). This logical connection between a rising organic composition of capital c/v and a falling profit rate r is at the heart of Marx’s *law of the tendency of the rate of profit to fall* (TRPF).[15, 9]

7.2 Competition, average profit, and prices of production

So far we have treated s and r at the level of production: surplus value is produced where living labour is set to work, and the profit rate is $r = s/(c+v)$ (Eq. (7.1)). But on the surface of capitalist society, capitals do not simply pocket the surplus they individually produce. They compete, they move, and they compare returns. This movement produces a *tendency* toward an *average* rate of profit.

To formalise this, index industries (or branches of production) by i . Let the capital advanced in industry i be $(c_i + v_i)$. Assume, for clarity, that the *rate of exploitation* is uniform across industries, so that in each industry

$$s_i = e v_i.$$

Then the **value** (in money terms) of the industry’s output (at this level of abstraction) can be written as

$$w_i = c_i + v_i + s_i = c_i + (1 + e) v_i. \quad (7.3)$$

Define the **cost price** (capital advanced that must be replaced) as

$$k_i = c_i + v_i. \quad (7.4)$$

Total surplus value and total capital advanced are

$$s = \sum_i s_i, \quad K = \sum_i (c_i + v_i) = \sum_i k_i.$$

Competition tends to equalise profit rates, so the **average rate of profit** is

$$r = \frac{s}{K}. \quad (7.5)$$

Under this tendency, the regulating price is not the direct value w_i but the **price of production**, which yields the average profit on the capital advanced:

$$p_i = k_i(1 + r) = (c_i + v_i)(1 + r). \quad (7.6)$$

The profit *received* by industry i is therefore

$$\pi_i = p_i - k_i = r k_i = r(c_i + v_i).$$

Compare this with surplus value *produced* in that industry, $s_i = e v_i$. The difference is

$$\pi_i - s_i = r(c_i + v_i) - e v_i,$$

which expresses the redistribution of surplus value across industries through competition.

It is useful to make the dependence on the *organic composition* explicit. Let $C = \sum_i c_i$ and $V = \sum_i v_i$. With $s = eV$ we have

$$r = \frac{s}{C + V} = \frac{eV}{C + V} = \frac{e}{1 + C/V}.$$

Then, using $\Omega = C/V$ as the **average** organic composition, one can show

$$p_i - w_i = e v_i \frac{(c_i/v_i) - \Omega}{1 + \Omega}. \quad (7.7)$$

So industries with *above-average* c_i/v_i tend to have $p_i > w_i$ (they receive more profit than the surplus they themselves produce), while those with *below-average* c_i/v_i tend to have $p_i < w_i$.

A two-industry illustration (values vs. prices of production)

Example 7.1 (Two industries and the redistribution of surplus value). Assume two industries, A and B , with a common exploitation rate $e = 100\%$, so $s_i = v_i$. Let $v_A = v_B = 100$,

and let A be lower-composition and B higher-composition:

$$c_A = 50, \quad c_B = 150.$$

Step 1: Surplus value produced and values. Since $e = 100\%$, we have

$$s_A = v_A = 100, \quad s_B = v_B = 100.$$

So values (Eq. (7.3)) are:

$$w_A = c_A + v_A + s_A = 50 + 100 + 100 = 250, \quad w_B = c_B + v_B + s_B = 150 + 100 + 100 = 350.$$

Step 2: The average profit rate. Totals are $C = 200$, $V = 200$, $s = 200$, so the average profit rate is

$$r = \frac{s}{C + V} = \frac{200}{400} = 50\%.$$

Step 3: Prices of production and profits received. Prices of production (Eq. (7.6)) are:

$$p_A = (c_A + v_A)(1 + r) = (50 + 100)(1.5) = 225, \quad p_B = (c_B + v_B)(1 + r) = (150 + 100)(1.5) = 375.$$

Profits received are $\pi_i = p_i - (c_i + v_i) = r(c_i + v_i)$, hence

$$\pi_A = 0.5 \times 150 = 75, \quad \pi_B = 0.5 \times 250 = 125.$$

Step 4: Who transfers surplus value, and who receives it? Industry A sells *below* its value ($225 < 250$) and receives less profit than the surplus it produces:

$$\pi_A - s_A = 75 - 100 = -25 \Rightarrow A \text{ transfers } 25.$$

Industry B sells *above* its value ($375 > 350$) and receives more profit than the surplus it produces:

$$\pi_B - s_B = 125 - 100 = +25 \Rightarrow B \text{ receives } 25.$$

Industry	c	v	s (produced)	$w = c + v + s$	$k = c + v$	$p = k(1 + r)$	$\pi = rk$
A	50	100	100	250	150	225	75
B	150	100	100	350	250	375	125
Total	200	200	200	600	400	600	200

Aggregate identities (the punchline). Under these simplifying assumptions,

$$\sum_i p_i = \sum_i w_i, \quad \sum_i \pi_i = \sum_i s_i.$$

So prices of production redistribute surplus value; they do not create it. Market prices can fluctuate around p_i due to demand, supply, monopoly power, state policy, and world-market conditions, but the competitive tendency toward average profit is the key mediating mechanism through which labour-time asserts itself in the long run.[2, 9]

7.3 Modern intuition

Think of the evolution of car production. A hundred years ago, producing a car required many hours of relatively low-mechanisation labour. Today, large parts of the process are automated: robots weld, paint, and assemble; software optimises flows. The ratio c/v has risen massively.

At the level of an individual firm, this may boost profits for a while, because the firm gets ahead of the social average and sells at prices that embody more labour time than it actually expends. But as the new technology diffuses, the industry-wide SNLT falls, values fall, and competitive pressures reassert themselves. At a given or even rising exploitation rate, the long-run tendency is for r to come under pressure.

8 The tendency of the rate of profit to fall and its counter-tendencies

Marx formulates the TRPF as a *tendency* of capitalist accumulation:[2, 15]

Marx argues that, *other things equal*, accumulation tends to raise the organic composition of capital: more machinery, technology, and materials are set in motion per worker. Since only living labour produces new value, a rising c relative to v tends, over long periods, to

press down the rate of profit, unless counter-tendencies (higher exploitation, cheapening of elements of constant capital, foreign trade, etc.) offset it.

“[T]he gradual growth of constant capital in relation to variable capital must necessarily lead to a gradual fall of the general rate of profit ...”[2]

The mathematics is compact in Eq. (7.2): if OCC rises while e is constant, then the rate of profit r must fall. But Marx immediately adds that this tendency is modified by counteracting influences.

8.1 Counteracting tendencies

Some of the main countertendencies are:

1. Raising the exploitation rate e by lengthening the working day, intensifying labour, or cutting the value of labour-power (e.g. through wage repression, union-busting, outsourcing, or attacks on social reproduction).[12]
2. Cheapening elements of constant capital, so that c grows more slowly than productivity, for example through technological progress in the production of machines and raw materials.
3. Depressing wages below the value of labour-power, especially in the global South, migrant labour regimes, and informal sectors.
4. Expanding to new markets, new branches of production, and new forms of commodification (land, housing, health, education, data, platforms).
5. Destroying capital in crises (bankruptcies, write-offs, wars), which reduces the denominator $c + v$ and can temporarily restore profitability for surviving capitals.

These factors explain why capitalism can go through long booms despite the underlying tendency. They do not abolish the law; they generate cycles and waves.

8.2 Empirical patterns

Empirical work by Marxist economists suggests that, across many advanced capitalist economies, profitability tends to fall over long periods, interrupted by partial recoveries, and that major crises are often preceded by profit squeezes.[15, 9]

The details are debated, but the broader point is clear: capitalist firms are structurally

driven to raise OCC via automation and capital intensity, and this makes profitability increasingly fragile. When combined with high debt levels and financial speculation, the outcome is recurrent crises.

9 Crises, cycles, and unemployment

Mainstream economics often treats crises as the result of “shocks”: a bad policy, a pandemic, an oil price spike. Marxian political economy instead sees crises as **endogenous** to the system.

9.1 Overaccumulation and overproduction

If profits fall in the productive sectors, capitalists may cut investment. Yet credit and fictitious capital—stocks, bonds, derivatives, property titles—can keep expanding claims on future surplus value even when the underlying surplus is under strain.[10]

At the same time, the drive to raise e and cut costs means that workers’ wages grow slowly relative to productivity. The result is a chronic tendency towards **overproduction**: more goods and services than can be profitably sold at existing wages and power relations.

9.2 Overproduction vs. underconsumption: what the debate is really about

The “overproduction vs. underconsumption” debate is often presented as if it were a choice between two different causes of crisis: either capitalism collapses because workers are too poor to buy what they produce (*underconsumption*), or because capital produces “too much” in some absolute sense (*overproduction*). In Marxian terms, the dispute is better understood as a dispute about *where* to locate the decisive contradiction: in the sphere of *realisation* (selling) or in the sphere of *production* (profitability and accumulation).

What “underconsumption” means (and why it is not nonsense). Underconsumption arguments start from a true and central feature of capitalism: workers are not paid the full value they create. The wage corresponds (in value terms) to necessary labour time T_N , while surplus value corresponds to surplus labour time T_S (Section 5.1–5.3). So the mass of commodities produced contains more value than the working class can command back through wages alone. On the surface, this can look like a “demand problem”: shelves are full, but people cannot afford what is for sale.

However, capitalism does not rely on workers' consumption alone to realise output. There is also *capitalists' consumption* and, crucially, *capitalists' investment demand* for means of production. In other words, the system can expand for long periods even while workers remain relatively impoverished, because accumulation itself generates large additional demand for machines, buildings, inputs, and labour-power. That is why "workers are too poor" cannot by itself explain the timing and periodicity of crises: workers are *always* relatively poor in capitalism, yet crises occur in waves.

What "overproduction" means in Marx (and why it is not about "too many things").

When Marxists speak of overproduction, they do not mean that society has produced too many use-values relative to human need. On the contrary, capitalism routinely produces *too little* of what people need (housing, healthcare, clean energy, water, care) and *too much* of what is profitable to sell. Overproduction in the crisis sense means:

overproduction of commodities and capital relative to profitable realisation at the prevailing wage, price, and power relations.

Put differently: the problem is not physical abundance; it is that commodities must be sold as commodities, i.e. at prices that validate expected profit. If accumulation and competition produce a situation where expected profitability is weak, capital cuts investment, inventories build, credit tightens, and unemployment rises. The "glut" is therefore a glut *in the value-form*: goods exist, but cannot be sold profitably and at scale.

The Marxian synthesis: underconsumption as a form of appearance of overaccumulation.

The cleanest way to connect the two is to separate (1) the ability to produce and (2) the ability to realise profit through sale. Capitalism can generate enormous productive capacity while simultaneously constraining mass purchasing power. When profitability is squeezed (Sections 7–8), investment tends to fall. When investment falls, demand falls, layoffs rise, and the "demand problem" intensifies. So underconsumption is often not the *first mover* but the *transmission mechanism* through which a profitability-and-accumulation problem becomes a general crisis.

Aggregate effective demand can be written as:

$$D = C_w + C_c + I + G + NX,$$

where C_w is workers' consumption out of wages, C_c is capitalists' consumption, I is investment, G is state demand, and NX is net exports. Underconsumption arguments

focus on the chronic constraint on C_w . Marx's crisis theory insists that the volatile and decisive component in capitalist dynamics is often I (and credit conditions behind it): when the expected rate of profit falls and risk rises, I contracts sharply, and then the constraint on C_w becomes catastrophic rather than merely chronic.[9]

Concrete illustration: China, surplus capacity, and the export of overaccumulation. A useful real-world illustration is China's long investment-led growth model. For decades, a very large share of growth was driven by high rates of fixed investment: factories, transport, power, ports, housing, and urban infrastructure. This was not "irrational" in the moral sense; it was a coherent accumulation strategy in a world economy where (i) profitability is pursued through scale, productivity, and cost compression, and (ii) competition rewards those who expand capacity quickly.

But the same strategy tends to generate a distinct Marxian problem: *the build-up of productive capacity faster than profitable outlets to absorb it*. In practical terms this appears as recurring debates over "excess capacity" (for example in steel, cement, shipbuilding, or heavy machinery): too much capacity *relative to the prices and profits that can be realised* in domestic and export markets.[24] When margins fall, the pressure to maintain cashflow and employment pushes firms toward price competition, consolidation, closures, or offloading output abroad—all of which are mechanisms of crisis management, not proof that the original contradiction disappeared.

Urban real estate and mega-infrastructure can temporarily absorb surplus capital because they are huge sinks for concrete, steel, labour, land rents, and credit. This is one reason why periods of rapid urbanisation and construction can coexist with underconsumption in everyday life. The popular label "ghost cities" points to a version of this contradiction: large volumes of built space can exist with low occupancy or weak use, not because people do not need housing, but because housing is treated as an asset, a collateral base, and a profit vehicle. When housing is financialised, the binding constraint is not need; it is the capacity to pay, the expected trajectory of prices, and the ability to refinance. A surplus of *unsold or under-occupied* units is therefore a surplus in the value-form: dwellings exist, but cannot be absorbed at prices that validate the balance sheets behind them.

BRI/OBOR and CPEC as a "spatial outlet" for surplus capital. Initiatives like OBOR/BRI can be read, in part, as attempts to create external outlets for domestic surplus capital, capacity, and construction-industrial ecosystems. When profitable openings narrow at home, capital and states look outward: new corridors, ports, rail, energy grids, industrial

parks, logistics chains.[25] This can be mutually beneficial in specific cases. But the Marxian point is structural: these projects are not charity; they are embedded in class relations, credit relations, and geopolitical competition.

CPEC illustrates the contradictory unity especially clearly. On one side, energy and transport bottlenecks are real; infrastructure can raise productivity and reduce friction in circulation. On the other side, corridor-style development often intensifies classic dependency pressures: import surges for machinery and fuel, profit repatriation and capacity payments, and hard-currency debt service that tightens the balance of payments.[26] In a country like Pakistan—already disciplined by foreign exchange constraints—this means infrastructure can simultaneously (i) expand physical capacity and (ii) sharpen the monetary and external constraints through which creditors impose “adjustment.” So the question is not “is CPEC good or bad in the abstract,” but: *who controls investment decisions, who captures the surplus, what is the currency composition of liabilities, and what happens when the global cycle turns downward.*

Tariff war and external demand shocks: how realisation problems become political conflict. The US–China tariff war is a case where a realisation problem becomes openly political. Tariffs and trade restrictions do not create capitalism’s contradictions; they *redistribute* and *intensify* them. When external markets tighten—whether through recession, tariffs, or financial shocks—the pressure to realise value shifts onto domestic demand, state stimulus, or third-country markets. This is why trade conflict can coincide with renewed domestic credit expansion: it is an attempt to keep *I* (and therefore employment and cashflow) from collapsing while export outlets (*NX*) become less reliable.

At the global level, trade conflict also feeds the “excess capacity” narrative: steel, machinery, and intermediate goods meet protectionist barriers, anti-dumping cases, and managed trade. But again, the deeper driver is not moral failure; it is the logic of competitive accumulation: if many capitals expand capacity simultaneously, the system periodically confronts the fact that not all capacity can be valorised at an adequate rate of profit. States then intervene to protect “their” capitals through tariffs, subsidies, currency policy, and strategic procurement. The crisis appears as a national rivalry, but its material basis is the problem of profitable realisation in a saturated and contested world market.

Political connotations: why the debate matters for strategy. This debate has practical implications. A pure underconsumption story easily slides into the claim that capitalism can be stabilised primarily through redistribution: raise wages, expand welfare, boost

demand. Marxists do fight for wages and services, but the pamphlet's point about the capitalist veto (Section 10) still applies: sustained redistribution that materially shifts power toward labour tends to trigger price recapture, disinvestment, relocation, credit sabotage, or political counter-attack unless ownership and investment control are confronted.

An overproduction/overaccumulation framing pushes a different strategic clarity: crisis is not an accident of “too little demand” that can be fixed by better macro-management. It is a recurrent outcome of profit-governed accumulation, competition, and the drive to expand capacity beyond what can be valorised at an adequate profit rate. That is why capitalism “solves” crises not by moral persuasion, but by coercive mechanisms of *devaluation and restructuring*: bankruptcies, write-downs, unemployment, wage repression, mergers, privatisation, and sometimes war. These are not policy mistakes; they are system-level ways of restoring conditions for profit.

Bottom line. In Marxian terms, the most precise formulation is: capitalism tends toward *overproduction of capital* (overaccumulation) and therefore periodic crises of *realisation*. Restricted mass consumption is real, and it shapes how crises are lived and how quickly they spread. But the deeper driver is the contradiction that production is social while appropriation and investment are private and profit-governed. The socialist implication is not “consume more” inside the same property relations, but *democratic control over investment and production*, so that capacity is organised for need and ecological survival rather than for valorisation.

9.3 The boom–bust rhythm

The story usually looks like this:

1. **Expansion:** Profits are high; firms invest; credit expands; employment rises.
2. **Overaccumulation:** Competition and rising OCC squeeze profitability; inventories build up; debt burdens grow.
3. **Crisis:** Investment collapses; firms fail; banks curtail lending; unemployment rises; states respond with bailouts and austerity.
4. **Devaluation and restructuring:** Capital is destroyed or devalued; wages and working conditions are attacked; new technologies and organisational forms are introduced; profitability is partially restored.

5. **Renewed expansion**—until the next wave.

The Great Depression, the post-war boom, the profitability crisis of the 1970s, the global crisis of 2007–08, and the uneven post-COVID conjuncture can all be read through this lens.[\[15, 12\]](#)

10 **Policy fixes, reformism, and the capitalist veto**

When crises intensify, politics usually floods with proposals that promise to stabilise capitalism without touching ownership: raise the minimum wage, tax the rich, give everyone cash (UBI), print money (QE/MMT), cancel debts, regulate monopolies, or build a “green” capitalism through carbon markets and climate finance. Many of these measures can *matter* for living conditions, sometimes a great deal. The Marxian question is more specific: *what kinds of contradictions can such measures actually resolve, and which ones do they inevitably reproduce?*

To answer, we need one distinction.

Reforms versus reformism. A **reform** is a concrete gain won in struggle: higher wages, shorter hours, cheaper essentials, housing, healthcare, democratic rights. Communists fight for such gains. **Reformism** is the belief that parliamentary measures, taken as administrative policy inside unchanged property relations, can overcome capitalism’s core laws of motion: exploitation, profit-governed investment, overaccumulation, and crisis. The difference is strategic. Reforms can improve life and build capacity. Reformism treats reforms as a substitute for confronting ownership and class power.

The capitalist veto (the structural core). Under capitalism, the majority do not control production. Capital owns (or commands) workplaces, supply chains, credit, land, and key infrastructures. Investment is not a neutral technical decision; it is governed by expected profitability and risk. That means reforms that threaten profitability, discipline, or property are met not only by debate in parliament but by a set of *structural responses* available to capital: layoffs, closures, informalisation, subcontracting, relocation, price hikes where market power allows, capital flight into dollars or property, accounting tricks, lobbying, court action, and media and state sabotage. This is the “capital strike” dynamic: when private owners control investment, they can withhold it.

This is not a moral claim about individual bosses. It is a claim about a system in which

production is privately controlled and social reproduction is forced to pass through money and markets. With that clarity, we can assess the most common policy fixes.

“But where would the money come from?” Money versus provisioning.

A recurring objection to universal services, public housing, free transit, or healthcare is: “Where would the money come from?” Marxian political economy answers by separating *money as an accounting and command device* from *the real conditions of provisioning*. The material question is not whether society can print tokens, but whether society can organise labour, land, energy, machinery, and logistics to produce and distribute use-values.

Under capitalism, money appears as the gatekeeper to food, homes, medicine, and education because access is controlled by property, prices, and profitability. Nature does not demand payment for land, water, or sunlight. The demand comes from social power: private ownership, state enforcement, and corporate control, which turn conditions of life into commodities. Once essentials are treated as social wealth—planned and provided as rights—“funding” stops being a mystical problem and becomes a practical one: how much capacity exists, what inputs and labour are required, what timelines are feasible, and which priorities society sets under democratic control.

10.1 Minimum wage: why a good law meets a structural constraint

Consider a large legal increase in the minimum wage, for example a guaranteed living wage. On paper this is a gain. But the law immediately collides with the relation developed earlier: labour-power is purchased as *variable capital* v , and surplus value s is extracted in production. If the wage floor rises, and if output prices and productivity are unchanged, then v rises relative to s , and the rate of profit

$$r = \frac{s}{c + v}$$

is pushed downward. Capital therefore tries to restore profitability through mechanisms it controls:

- **Evasion and informalisation:** shifting workers off contracts, underreporting hours, using subcontractors, replacing formal jobs with informal or gig arrangements.
- **Layoffs and closures:** threatening job cuts or shutdowns, especially in low-margin sectors or where employers can easily switch locations or lines of business.
- **Speed-up and intensification:** raising the pace of work, cutting breaks, increasing

output norms so that each paid hour yields more surplus in practice (a rise in the realised exploitation rate).

- **Price pass-through where possible:** raising prices in sectors with market power, turning part of the wage gain into higher living costs, especially when essentials are privately priced.
- **Recomposition of investment:** moving into speculative outlets (property, currency arbitrage, rent-seeking) if productive profitability is weak or contested.

None of this implies that minimum-wage struggles are pointless. It implies that a wage reform, by itself, does not command production. It has to be paired with enforcement, organisation, and measures that limit capital's ability to evade, relocate, or recapture the gain through prices and intensified labour. The stronger the labour movement and the more socialised the provision of essentials (housing, transport, healthcare, energy), the more durable a wage gain can become.

10.2 Progressive taxation: redistribution meets capital mobility and state dependence

Progressive taxation is another common solution: tax profits, wealth, and high incomes to fund social spending. From a Marxian perspective, the first point is simple: taxes do not abolish exploitation; they redistribute claims on social output *after* production and appropriation have already occurred. That redistribution can still be socially vital. But its limits are structural.

First, capital has multiple routes of resistance: avoidance and evasion, hiding assets, shifting profits, moving money offshore, and reclassifying income. Where the tax state is weak, and where large sectors are informal, taxation tends to fall back onto indirect taxes and wage earners while wealth escapes. Second, the capitalist state itself is structurally pressured to maintain “investment” and “confidence”: it needs employment, revenues, foreign exchange, and credit access. Without controls on capital movement and strong enforcement capacity, progressive taxation becomes a terrain of class struggle, not a purely administrative adjustment.

So the Marxian point is not “taxation never helps.” It is: taxation that seriously threatens capitalist income and property tends to trigger a confrontation with capital's structural power. If that confrontation is not met with organised power and controls over finance and investment, redistribution is diluted, reversed, or captured.

10.3 UBI: cash without commodification

A universal basic income (UBI) proposes unconditional cash payments. In principle, it can reduce poverty and provide a survival floor. The Marxian question is: does a cash grant commodify life, or does it become another money stream circulating inside the same commodity economy?

If essentials remain commodified and privately priced, a cash grant can be partially captured by landlords, private utilities, and monopolised suppliers through higher rents and administered prices. In that case UBI risks functioning as an indirect subsidy to low-wage capital and rentiers: wages can be held down while the state tops up survival in cash. UBI also faces a funding constraint that immediately becomes political: it must be financed by taxing capital/wealth, cutting other spending, borrowing (state debt), or monetary expansion. Each route collides with class power under capitalism: capital resists taxation, borrowing shifts today's conflict into a claim on *future* surplus, and money creation in an import-dependent, price-sensitive economy can return as inflation or currency pressure.

The most robust version of "basic income" therefore tends to be not cash alone but **universal basic services**: socialised housing, transport, energy, healthcare, education, and care. These are not simply moral add-ons; they reduce capital's ability to recapture wage gains and cash transfers through prices, and they shift part of social reproduction out of the market.

10.4 Quantitative easing and "printing money": expanding claims versus producing value

Quantitative easing (QE) and related "print money" proposals are often framed as a technical solution: if the state can create money, why not fund jobs, services, and investment directly? Marxian political economy begins by separating two things: *money as a claim* and *value as socially necessary labour time* expressed in money form.

QE is best understood as a state-led intervention that supports financial balance sheets by purchasing assets and creating liquidity. It can lower interest rates and stabilise banks. But it does not, by itself, set additional labour to work in productive processes that generate surplus value. In Marxian terms it supports and revalues *titles* to future income, i.e. fictitious capital, without guaranteeing an expansion of surplus value actually produced. When profitability is weak, QE therefore commonly shows up as asset-price inflation and the preservation of financial wealth, rather than as a transformation of everyday life.

More generally, monetary expansion can relax constraints, but it cannot abolish the basic

contradiction that the mass of profits and interest-bearing claims must be validated by production and realisation. Where supply is constrained, imports are decisive, or oligopolies dominate essentials, money injections can reappear as price inflation and renewed class discipline. The question is not whether money can be created, but who controls production, pricing, and allocation.

10.5 Job guarantees and Keynesian stimulus: demand management without investment control

A Job Guarantee (JG) or large fiscal stimulus is often posed as an alternative to UBI: instead of paying people to exist, the state directly employs them and stabilises demand. Such measures can reduce unemployment and build useful infrastructure. But they still confront capitalist investment control. If the private sector retains command over major production, credit, and trade, then sustained full employment and rising wage power can provoke inflation politics, investment strikes, and pressure for austerity and “discipline.” In other words, demand management can moderate the cycle, but it cannot remove the profitability and overaccumulation pressures that repeatedly drive capitalist crises unless it is paired with democratic control over investment and strategic sectors.

This is a recurring pattern: the state can absorb some unemployment and fund projects, but if capital remains free to withhold investment, relocate, or raise prices, the system fights back against reforms that shift power to labour.

10.6 Debt relief, jubilees, and bailouts: revaluing claims without transforming production

Debt relief can be necessary. In a debt-driven economy, households, firms, and states can become locked into servicing claims that are no longer compatible with living standards and productive capacity. From a Marxian standpoint, debt is a structured claim on future surplus. Writing down debts therefore revalues claims on future surplus—it is a moment of devaluation and restructuring. The class question is: *whose claims are protected and whose lives are sacrificed?*

Bailouts that protect banks and bondholders while imposing austerity on workers preserve fictitious capital and restore the discipline of repayment. Jubilees that relieve households can materially help, but without socialising finance and controlling credit allocation, the debt machine tends to rebuild itself through new lending, asset bubbles, and renewed

extraction.

Debt relief is therefore best understood not as a final solution but as a terrain of struggle over who bears crisis costs, and whether finance remains a private power or is brought under democratic control.

10.7 “Green capitalism”: carbon markets, offsets, ESG, and climate finance

The dominant ruling-class response to ecological crisis increasingly takes the form of “green capitalism”: carbon pricing, offset markets, ESG metrics, green bonds, and climate-finance instruments. Some of these measures can shift relative prices and force limited disclosures. But they also tend to reproduce the deeper contradiction: capitalism treats ecological repair as a new field for profitable claims, rents, and enclosures.

Carbon markets and offsets can convert the atmosphere and land-use into tradable assets, producing new revenue streams for consultancies, financiers, and land intermediaries. ESG and climate finance can become reputational and financial screens that reprice assets without guaranteeing absolute reductions in extraction and throughput. In Marxian terms, these strategies often create new layers of fictitious capital and rent extraction on top of an accumulation process that still requires expansion, competitiveness, and cost-cutting. The result can be a “green” veneer that leaves the compulsion to grow and to externalise ecological costs intact.

A socialist approach begins from a different premise: ecological transition is a planning problem, not primarily a pricing problem. It requires deliberate decisions about what to phase out, what to build, and how to allocate labour, energy, and materials under democratic control. That, in turn, requires confronting ownership in energy, transport, housing, land, and finance.

10.8 Regulation-only fixes: antitrust and “better governance”

Finally, there are proposals that aim to civilise capitalism through regulation: antitrust, platform rules, transparency, corporate governance reform. Such measures can curb specific abuses. But they do not abolish exploitation, competition, or the profit imperative. Monopolies and oligopolies are not just policy accidents; they are recurrent outcomes of accumulation, concentration, and control over chokepoints (land, finance, logistics, intellectual property). Regulation can change tactics. It does not remove the underlying

compulsion that drives the system toward crisis and toward new forms of domination.

10.9 The general point: what these fixes can and cannot do

The common thread is not that reforms are irrelevant. It is that reforms which act mainly on *distribution, circulation, or regulation*, while leaving the ownership and control of production intact, cannot eliminate the contradictions generated by accumulation itself. They can manage symptoms, redistribute some pain, and win real improvements. But they also tend to trigger counter-moves by capital (price recapture, disinvestment, informalisation, financial speculation) and by the state (austerity, “confidence” politics, repression) unless they are backed by organised power and structural measures that neutralise the capitalist veto.

This is why crisis management so often feeds directly into financialisation (the next section): when productive profitability is weak and deeper transformations are blocked, the system leans harder on credit, asset prices, and speculative claims.

10.10 Reforms as struggle: making gains durable by confronting power

Communists therefore fight on two levels at once.

First, we fight for immediate reforms that materially improve life: higher wages, shorter hours, strong labour rights, and universal provision of essentials. These struggles build organisation and confidence, and they expose the real lines of power.

Second, we insist that making such gains *durable* requires confronting the capitalist veto. In practice, that points toward measures such as:

- **decommodifying essentials** through universal basic services (housing, healthcare, education, transport, energy, water, care), so wage gains and cash transfers are not immediately recaptured by rents and prices;
- **capital controls and financial regulation with teeth**, so investment strikes and capital flight are not the automatic response to popular reforms;
- **socialising key sectors** (especially finance, energy, transport, and strategic supply chains) so credit and investment can be directed by democratic priorities rather than private profit;

- **workers' organisation and workplace power** (unions, shopfloor committees, collective bargaining, the right to strike), without which reforms become paper promises;
- **ecological planning** that treats decarbonisation and adaptation as deliberate social projects, not as markets for offsets and speculative green assets.

In short: reforms matter, but reformism fails. Parliamentary measures can win real improvements, but the system's contradictions are rooted in production and property relations. To move beyond recurring crisis, society must bring investment, production, and the conditions of life under democratic control. That is the horizon that gives reform struggles their strategic direction.

11 Financialisation, real estate, and fictitious capital

When profitability in productive sectors is squeezed, capital tends to search for easier routes to profit: finance, real estate, speculation on currencies and commodities. This is often called **financialisation**.

11.1 Fictitious capital

Fictitious capital refers to *tradable claims* on future income streams ultimately grounded in surplus value: shares (claims on profits/dividends), bonds and loans (claims on interest), mortgage-backed securities (claims on interest and principal), and many derivatives (claims whose payoffs are linked to the prices of other claims). It is “fictitious” not because it is unreal, but because it is a *title* to future income rather than a direct embodiment of value already produced and currently functioning as capital in production.[10]

A share can be understood as a claim on a stream of expected future profits (or dividends); a bond as a claim on a stream of interest payments; and many structured assets as claims on bundled or re-sliced cash flows. A basic way to see this is capitalisation. If an asset is expected to yield net receipts R_t (dividends, interest, rents, or other contractual payoffs) over time, and those receipts are discounted at rate d (which may incorporate risk and liquidity), then its market valuation can be written schematically as

$$K_f = \sum_{t=1}^{\infty} \frac{R_t}{(1+d)^t}. \quad (11.1)$$

We use d (not i) for the discount rate to avoid confusing it with the commodity index i used

elsewhere. This is a stylised expression (it assumes a stable discounting convention and a reasonably well-defined expected flow), but it captures the key point: the market value of the claim can move sharply even when the underlying production of value changes little.

Here K_f is not “capital” in the sense of means of production and labour-power set in motion; it is the *price of a claim* on future cash flows. In short: it is paper wealth whose valuation is governed by conventions of expectation and discounting, even though the ultimate substance that can validate those expectations is surplus value produced in the sphere of production.

The critical Marxian point is the macro-constraint: the expansion of fictitious capital can run far ahead of the growth of surplus value actually produced and realised. Crises erupt when the expectations embedded in K_f become incompatible with the underlying capacity of production and realisation to sustain those cash flows. Asset prices then fall sharply, destroying or revaluing paper wealth, while leaving behind debts, unemployment, and social damage.

11.2 Tech hype as a vehicle for speculative valuation

A contemporary cultural form of fictitious capital is techno-utopian speculation: venture-funded firms and their investors often sell not present profitability but stories about future monopoly positions and future command over revenue streams. Under conditions of weak productive profitability, capital hunts for assets whose *valuation* can be pushed upward faster than any measured improvement in everyday life. The point is not simply to sell a useful product; it is often to capitalise an expectation of future revenue, lock in market power, and attract early entrants to a rising claim.

High-profile frauds are only the most visible edge of this logic. More commonly, we see cycles where technologies are marketed as world-changing mainly because that narrative can justify venture capital, inflate stock prices, or produce monopoly rents through patents, platforms, and gatekept access. In this sense, techno-utopianism is not merely an idea; it is a *financial mechanism* that helps convert uncertain futures into tradable claims in the present.

None of this implies that technological development is irrelevant. It implies that under capitalism the dominant selector is not social need but expected profitability and controllable revenue streams. That is why comparatively “boring” public goods—mass transit, universal sanitation, public housing, open-access health systems, resilient grids—are chronically

underbuilt, while speculative fantasies can attract extraordinary funding. The difference is not technical feasibility alone; it is the difference between what meets needs and what can be owned, priced, and capitalised.

11.3 Example: real estate and speculation in Pakistan

In many parts of the global South, including Pakistan, the combination of energy costs, infrastructural bottlenecks, political instability, and import dependence has made productive investment risky. At the same time, property speculation, urban land grabs, and financial arbitrage have offered relatively easier gains for those with capital.[27]

This pattern is inseparable from belated, uneven development and the structure of the state. Where local capital has historically remained narrow, import- and contract-dependent, and politically risk-averse, it has often failed to build an industrial base capable of absorbing labour at scale and raising productivity in a broad, socially transformative way. In that vacuum, the most coherent and force-concentrated institutions of the capitalist state can become not only coercive arbiters but also major economic organisers: they sit atop land allocations, procurement chains, regulatory power, and the “security” framing through which budgets and property regimes are protected. The point is not that such institutions are alien to the state, but that they are *one of its central forms*—and, in crisis conditions, they can expand their economic footprint as other fractions falter.

In that context, liberal hopes that rotating civilian parties will steadily produce a secular-democratic modernisation run into a material barrier: the underlying property relations, the world-market constraint, and the coercive apparatus that defends both. Without confronting those relations—especially land, finance, strategic infrastructure, and the external discipline of debt and conditionality—electoral alternation tends to reshuffle administrators while leaving the core drivers of speculation, informalisation, and repression intact.[28, 13]

This leads to:

- a misallocation of resources towards luxury housing, gated communities, and malls while basic manufacturing and public services are starved of investment;
- a reliance on imported goods and remittances, generating trade deficits and external debt; and
- rising land prices that push workers and peasants to the margins, deepening class and

gendered burdens of social reproduction.

From a Marxian perspective, this is not an aberration but a variant of the general tendency of capital to flee from the hard work of exploiting living labour in production towards speculative claims on future surplus value.

12 Why social democracy was a conjuncture, not an alternative system

Liberals often say: “Communism is too extreme. Let’s aim for social democracy.” In everyday discussion, “social democracy” is treated as if it were a different economic system: capitalism with a human face. From a Marxist standpoint, that is a category mistake. Social democracy, where it existed in a strong form, was not a separate mode of production. It was a historically specific *regime of managing capitalism* under unusually favourable conditions for capital accumulation, and under unusually strong pressure from below.

This matters for strategy. If social democracy were simply a matter of political will and better policy, then the task would be to elect kinder managers. But if it was a conjuncture inside capitalism—enabled by post-war reconstruction, imperial advantage, high growth, and a particular balance of class forces—then the question becomes: what happens when those conditions vanish? Marx’s answer is not moral; it is structural: capitalism can tolerate reforms only so long as they do not block the extraction and realisation of surplus value.

To make this concrete, we need a short historical map: how capitalism expanded globally, why wars and depressions recur, why the post-war boom was exceptional, why neoliberalism followed, and why “returning” to that earlier compromise is structurally blocked today.

12.1 Colonialism, the world market, and why capital must expand

Capitalism does not grow peacefully inside national borders. It generalises commodity production and then compels expansion: more markets, more inputs, cheaper labour, and new outlets for accumulated capital. The world market is not a later “globalisation” add-on. It is built into capitalist development from early on.

Colonialism was a decisive mechanism in this expansion. It forcibly reorganised land, labour, and trade to secure raw materials, open captive markets, and impose money taxes

that pushed people into wage labour and commodity dependence. In Marxist terms, this was not simply robbery for its own sake; it was the violent construction of capitalist social relations on a world scale: dispossession, coerced labour, export monocultures, and the subordination of entire regions to metropolitan accumulation.

As capitalist competition intensifies, the stakes rise. Capitals do not compete only as firms; they lean on states for protection, subsidies, access, and coercion. Conflicts over markets, routes, strategic resources, and investment territories therefore become conflicts between states. That is the material basis of modern imperialism: the fusion of concentrated capital with state power in the struggle over world-scale conditions of accumulation.

This does not mean that every war has one simple cause. It means that, under capitalism, rivalry over world-market advantage and control over conditions of accumulation is not accidental. It is structural.

12.2 War, depression, and the reorganisation of capitalism (1914–1945)

The first half of the twentieth century shows the brutal logic of capitalist rivalry and crisis.

World War I (1914–1918). The First World War was an inter-imperialist conflict among major powers competing over colonies, markets, routes, and geopolitical advantage. It was not a temporary lapse into irrationality; it was a catastrophic expression of rivalry in a world where capitalist development had become uneven, combined, and militarised.

The interwar instability and the Great Depression. The 1920s and 1930s were shaped by unstable recoveries, debt burdens, and then collapse. The Great Depression (ignited by the 1929 financial crash and deepened through the early 1930s) produced mass unemployment, bank failures, and political crisis. States responded with protectionism, competitive devaluations, and intensified nationalism. In Marxist terms, depression is not merely a shortage of demand; it is a crisis of profitability, overaccumulation, and realisation in which too much capital has been accumulated relative to profitably employable labour and markets at the prevailing conditions.

World War II (1939–1945). The Second World War was also rooted in imperial rivalry and the drive to reorganise world power. It destroyed enormous masses of capital and human life. That destruction was barbaric—but it also reset conditions of accumulation. One cannot understand the post-war boom without understanding that war and depression

forcibly restructured the system: debts were rewritten, industries were reorganised, and global leadership changed.

12.3 The post-war boom and the social-democratic compromise (roughly 1945–early 1970s)

After 1945, much of Western Europe and Japan underwent reconstruction. The period from the late 1940s through the early 1970s is often described as a “Golden Age” of capitalism: rapid growth, rising productivity, and, in many countries, expanding welfare states and labour protections. It is this period that many people have in mind when they say “social democracy.”

From a Marxist standpoint, three points are decisive.

First: Keynesianism managed capitalism; it did not replace it. Keynesian policy—state spending, public investment, welfare provision, and demand management—did not abolish wage labour, private ownership, or profit as the regulator of investment. It aimed to stabilise accumulation, smooth the cycle, and contain social conflict. In other words, it was a mode of governance inside capitalism, not an alternative mode of production.

Second: the compromise was forced from below. Welfare gains were not gifts. They were concessions wrested from capital under conditions of militant unions, strong socialist and communist parties, mass strike waves, and, internationally, the existence of a rival bloc that frightened Western ruling classes. The post-war order was built in part to prevent revolution and contain communism. The welfare state was therefore both a product of class struggle and a strategy of class rule.

Third: the boom rested on exceptional material conditions. Reconstruction created vast demand for steel, housing, transport, and industry. Productivity gains were high in many sectors. US hegemony and new monetary arrangements stabilised key trade and financial relations. Cheap energy inputs supported growth. These conditions made it easier for capital to tolerate redistribution for a time, because the mass of profits could still expand.

But the compromise was conditional. It worked only so long as the underlying engine—profitability in the productive economy—could sustain it.

12.4 Why the boom broke: profitability, stagflation, and the crisis of the 1970s

The post-war boom did not end because society became less reasonable. It ended because capitalism's contradictions reasserted themselves.

As accumulation proceeded, competitive pressures intensified, and overcapacity developed in key industries. Profitability came under pressure. States could stimulate demand, but demand management cannot guarantee that private capital will invest profitably. When profitability is weak, capital seeks other outlets: speculation, real estate, financial claims, or relocation to cheaper labour regimes.

The 1970s were also marked by major oil shocks (notably 1973–74 and 1979), which raised costs across production and transport. The resulting combination—sluggish growth with rising prices—became known as stagflation, a problem that standard Keynesian tools were ill-suited to manage within capitalist constraints. From a Marxist perspective, oil shocks were not the sole cause; they were a trigger and amplifier within a deeper profitability and accumulation problem.

The political conclusion drawn by ruling classes was clear: the post-war compromise had to be dismantled to restore profitability and discipline labour.

12.5 Monetarism and neoliberalism: restoring class power

What followed is now called neoliberalism: privatisation, deregulation, attacks on unions, cuts to social spending, and the reorientation of states toward “market confidence.” This was not merely an ideological fad. It was a class strategy to restore profitability by reshaping the balance of power between labour and capital.^[11]

Monetarism—the shift toward using interest rates and tight money as the primary policy tool—played a key role. High interest-rate regimes disciplined wages, raised unemployment, and strengthened creditors. In Marxist terms, this was a reassertion of capital's power through the labour market and through finance: a deliberate raising of the social cost of resistance.

Neoliberalism also internationalised discipline. Trade liberalisation and global supply chains increased the credible threat of relocation. Financial liberalisation increased the power of capital flight. States were increasingly told to treat social spending as a cost, not a right.

This is why, even where social-democratic parties remained in office, they increasingly administered neoliberal policy. The system's constraints tightened, and reformist parties became managers of austerity.

12.6 The global South as laboratory: debt, coups, and structural adjustment

Neoliberalism was not rolled out only through elections. It was imposed through coups, repression, and debt regimes, especially in the global South.

Latin America provides clear examples of “shock” restructuring: labour rights crushed, public assets privatised, and economies opened to foreign capital. Debt crises—especially from the late 1970s into the 1980s—became a lever. States dependent on external finance were pushed into IMF-style programmes: austerity, currency devaluation, cuts to subsidies, and privatisation.[13] These policies were sold as “stabilisation,” but their class content was consistent: shift crisis costs onto workers and the poor, open new fields for accumulation, and guarantee repayment to creditors.

This history matters for countries like Pakistan because it clarifies that fiscal policy is not only a domestic choice. External debt, import dependence, and creditor conditionality shape what states are “allowed” to do under capitalism.

12.7 Belated capitalism, combined and uneven development, and the bourgeois-democratic impasse

A further clarification is needed for much of the global South: capitalism does not arrive everywhere as a “clean” national development sequence in which an independent bourgeoisie steadily builds an industrial base, completes land reform, secularises the state, and then deepens democratic participation. It arrives *through a world market already dominated by monopolies, imperial states, and finance*, and it therefore produces a pattern of **combined and uneven development**: advanced technologies and enclaves of modern production sit alongside older property relations, coercive labour regimes, and vast zones of abandonment.[7, 16] The result is not “underdevelopment” as a cultural failure, but a structured outcome of integration into a hierarchical world economy.[6, 8]

This matters because the classic tasks often associated with bourgeois-democratic revolutions—land reform, a thorough secularisation of law and schooling, universal civil equality, democratic control over the state, and the construction of an inclusive nation-state on a modern

material basis—collide with the actual interests and dependencies of local ruling classes in belated capitalist formations. A dependent bourgeoisie typically sits at the intersection of landlordism, foreign capital, state contracts, and creditor discipline. It therefore fears mass mobilisation from below more than it fears the survival of “pre-modern” coercions and compromises. Even when liberal elections occur, decisive questions about investment, energy, trade, security, and debt servicing remain constrained by property, the world market, and external conditionality.[13, 11]

This is why the democratic question cannot be reduced to whether elections are formally competitive. In many settings, the deeper absence is *popular decision-making power over the material organisation of life*: what is built, where, for whom, with what labour conditions, and under what ecological constraints. When those decisions remain governed by profitability, creditor confidence, and unelected coercive apparatuses, liberal democracy becomes a narrow procedure for rotating managers of an order whose core decisions are insulated from the majority.

A note on “outliers”. There are partial exceptions where state-led industrialisation achieved significant upgrading (often under specific geopolitical conditions, with strong state direction of credit, export strategy, and sometimes land reform). But even these cases do not refute the general point: capitalist development remains structured by the world market, and democratic control over investment is not guaranteed by growth. The question is not simply “development” but *who controls it* and *whose interests it serves*.

The strategic conclusion is not that elections never matter. It is that, under dependent and crisis-ridden capitalism, the completion of democratic and social tasks cannot be entrusted to bourgeois parties whose material reproduction depends on the very property relations and external constraints that block those tasks. In that sense, what liberals treat as the horizon of “secular, democratic progress” becomes inseparable from working-class struggle for power: decommodification of essentials, democratic control of investment, and breaking the mechanisms of imperial and creditor discipline.[13, 11]

12.8 Financialisation and bubble-led management: dot-com to housing

As productive investment became more difficult or less profitable, capitalism leaned harder on finance, asset prices, and credit expansion. This is the context for repeated bubble cycles.

A stylised pattern is:

- weak or uneven productive profitability;
- expanding credit and rising asset prices to sustain demand and paper wealth;
- speculative booms (equities, then real estate, then complex securities);
- crashes that socialise losses through bailouts, austerity, and restructuring.

The dot-com boom of the late 1990s and its bust around 2000–2002 showed how speculative expectations could inflate claims far beyond realised profitability. The much larger global crisis of 2007–08 then demonstrated the same logic at a systemic scale: mortgage-credit expansion, securitisation, and bank leverage created vast fictitious claims that collapsed when repayment and realisation failed.

From a Marxist standpoint, these crises are not simply regulatory accidents. They are expressions of a system trying to offset profitability and realisation problems by expanding financial claims.

12.9 After 2008: austerity, revolt, and the rise of the far right

After 2007–08, states intervened massively to stabilise banks and financial markets, while much of the cost was pushed onto working classes through austerity, wage restraint, privatisation, and degraded public services. This was not “balanced” crisis management; it was class management.

The political consequences were explosive. Across different regions, we saw waves of revolt and experimentation: Occupy-style movements, mass square occupations, anti-austerity uprisings, and attempts at electoral ruptures. The Arab Spring expressed deep social contradictions under authoritarian and neoliberal regimes. In Europe, anti-austerity projects rose and collided with the hard constraints of capital mobility, creditor power, and supranational governance.

Where the left failed to build durable organisation and a credible alternative, the right often filled the vacuum. Far-right politics thrives by redirecting anger away from capital and toward scapegoats: migrants, minorities, women, queer and trans people, religious targets, “corrupt elites” in the abstract. It offers belonging, revenge, and authoritarian order while leaving property relations intact. Liberalism, which manages decline while preaching civility, often cannot defeat this; it frequently feeds it by policing dissent and protecting wealth.

This is one reason the question of social democracy returns today as nostalgia: people feel the loss of security, services, and meaning. But nostalgia is not a strategy.

12.10 Why you cannot simply “return” to social democracy today

Even if one admires the best welfare achievements of the post-war period, restoring that regime today is structurally blocked under contemporary capitalism.

1. **Capital mobility is greater.** Supply chains, finance, and ownership structures allow capital to move, threaten, and evade more easily. This strengthens the capitalist veto: disinvestment and capital flight become routine weapons against reforms.
2. **The global balance of class forces has shifted.** Union density and workplace power are weaker in many places after decades of defeat, repression, and fragmentation. Without strong organisation from below, welfare gains are easier to roll back.
3. **Debt and external constraints are tighter.** Many states operate under heavy debt burdens and creditor conditionality. In the global South, import dependence and foreign-exchange vulnerability amplify these constraints. This is why IMF-style programmes so often demand cuts to public spending and “market reforms.”
4. **The ecological constraint is now unavoidable.** The post-war boom assumed cheap energy and expanding throughput. Today, climate breakdown and ecological limits mean that a growth-at-all-costs welfare compromise is not a viable horizon.^[23] Transition requires planning, not just redistribution.
5. **Financialisation changes the terrain.** Asset-price inflation, rent extraction, and private control of housing, energy, and infrastructure mean that cash-based reforms are often recaptured through prices unless essentials are decommodified.

This is why policy packages that promise a painless return—“just tax the rich,” “just print money,” “just do a Green New Deal inside the market”—run into the structural limits already developed in this pamphlet. (See also the discussion of the capitalist veto and crisis management in Section 10.) Reforms matter, but reformism fails: the system can shed a reform regime when profitability, competition, and class power demand it.

12.11 What this means for strategy: reforms as struggle, socialism as a necessity

The Marxist conclusion is not that reforms are pointless. It is that reforms must be understood as *sites of struggle* that can build power, expose limits, and create openings—rather than as a parliamentary substitute for transforming property relations.

This has several practical implications.

- Fight for reforms that **decommodify essentials**: universal healthcare, housing, education, transport, energy, and care. These reduce capital's ability to recapture gains through rents and administered prices.
- Build **workplace power** and democratic organisation, without which legal rights become paper promises.
- Demand measures that **confront the capitalist veto**: controls on capital flight, democratic control of credit and investment, and socialisation of key sectors (especially finance, energy, and strategic infrastructures).
- Treat internationalism as material, not moral: without confronting imperialist and debt relations, national reform projects are strangled by external constraint.

In this sense, socialism is not a slogan chosen because it is morally superior. It becomes a practical necessity because the problems people face today—crisis management by austerity, debt discipline, ecological breakdown, and the far-right turn—are produced by a system in which production and investment are governed by profit and protected by private property. A democratic, planned, internationally coordinated reorganisation of the economy is not the “extreme” option; it is the option adequate to the scale of the contradictions.

13 Imperialism, global value chains, and unequal exchange

Capitalism has been global from early on. Marx wrote about world markets and colonial plunder; later Marxists analysed imperialism as a stage where capital exports, monopolies, and state power become central.[6, 8]

Today, global value chains and unequal exchange structure the relation between global North and South.

13.1 Unequal exchange in practice

Consider again:

- garment workers in Bangladesh producing for fast-fashion brands headquartered in Europe; and
- electronics workers in East and Southeast Asia assembling devices for firms headquartered in the US, Japan, or South Korea.

Studies [14, 20, 19] of the cost structure of an iPhone or a pair of branded jeans show that:

- direct manufacturing wages are often less than 5–10% of the retail price;
- most of the surplus value is realised and appropriated in the centres of finance, marketing, and intellectual property; and
- Northern states and firms control key chokepoints: technology, finance, logistics, trade rules.[14, 20]

A growing portion of this power takes the form of **digital and intellectual-property enclosures**. Patents, licensing, paywalls, proprietary platforms, and “terms of service” operate as mechanisms of monopoly rent: they restrict access to knowledge and infrastructure that is socially produced, then charge for entry. This is not a moral claim about individual consumers; it is a structural claim about ownership. Under capitalism, even when the marginal cost of copying software, research, or cultural work is near zero, property law is used to impose artificial scarcity so that revenue streams can be defended. This is a clear case where the use-value of knowledge—its capacity to be copied and shared at near-zero marginal cost—is subordinated to exchange-value through enforced exclusivity.

This matters for unequal exchange because it allows firms headquartered in the North to appropriate value created across the world not only through manufacturing and trade, but through controlling chokepoints of knowledge, standards, and access. The result is that Southern labour can produce, but Northern ownership can capture: value creation is geographically distributed, while value appropriation is organised through monopoly rights.

From a Marxian point of view, value is created wherever living labour is expended, but the *distribution* of surplus value is shaped by power, monopoly, and imperial structures. Unequal exchange is not simply about unfair prices; it is a mechanism for sustained transfer of value from South to North.

13.2 Debt, austerity, and structural adjustment

Imperialist relations are reinforced through sovereign debt, IMF and World Bank conditionalities, and trade agreements. Southern economies are pushed towards export-oriented, low-wage specialisation, while austerity shrinks public services and public employment.[28]

This directly affects class struggle: workers, peasants, and oppressed genders face both the local bourgeoisie and global institutions as they fight for wages, land, services, and democratic rights.

14 Social reproduction, unpaid labour, and gender

Class struggle does not occur only in the workplace. The reproduction of labour-power—the everyday and generational work of keeping human beings alive, functional, and able to return to work—is itself a site of struggle. This includes feeding, cleaning, rest and recovery, caring for children and elders, emotional support, maintaining social ties, and community organising. It also includes the broader social conditions that make labour-power available at all: housing, water, transport, schooling, healthcare, and safety, whether provided privately in households, collectively in communities, or through the state.

Capitalism depends on this reproductive work, but it does not automatically pay for it. The wage is the money-form of the value of labour-power—the portion of social labour that reproduces the worker—yet much of the work that actually reproduces labour-power is displaced onto households, disproportionately onto women and marginalised genders, and onto racialised and migrant workers in low-paid “care” and service sectors. Feminist Marxists speak of **social reproduction** to name this terrain: the interlinked processes through which labour-power is produced, maintained, repaired, and renewed as a condition for capitalist production.[17, 18]

This matters politically because it changes what we count as “economic.” If the workplace is one frontline of exploitation, the household and community are another frontline where the costs of that exploitation are absorbed, managed, and fought over. When public services are cut, when inflation hits food and rent, when care is privatised, when migration regimes split families, or when violence and criminalisation target gendered survival, the pressure shows up as longer unpaid hours, worse health, and tighter control over bodies and time. Social reproduction is therefore not a “side issue” to class politics; it is one of the main ways class power is organised and contested.

14.1 Unpaid and underpaid labour

Much of the labour required to maintain and reproduce **labour-power** is unpaid or severely underpaid, and it is disproportionately carried by women and marginalised genders. By “reproduction of labour-power” we mean not only keeping individual workers going day to day (food, rest, care, recovery), but also the broader reproduction of the working class across time (child-rearing, education, health, and the everyday social supports that make life possible). This includes:

- domestic work in the household (cleaning, cooking, fetching water, managing the home);
- care work in families and communities (childcare, elder care, disability care, emotional labour, mutual aid);
- informal labour in home-based piecework, subsistence agriculture, and street vending;
- paid but low-waged reproductive/service work (domestic work, cleaning, nursing, teaching assistants, care homes), often done by migrant and racialised workers under coercive conditions;
- **intimate and sexual labour**, including sex work, which is frequently shaped by patriarchal violence, poverty, policing, and stigma. Where it is criminalised, workers face heightened exploitation and risk, and the boundary between “consent” and coercion is materially structured by survival, debt, and state repression.

Capital benefits from this arrangement because it can pay wages that cover only part of the true social cost of reproducing labour-power. The missing costs do not disappear; they are shifted onto households, onto unpaid time, onto stretched public services, and onto the bodies of those made responsible for care. When that burden becomes intolerable, it becomes a site of struggle: demands for childcare, housing, healthcare, shorter hours, safer workplaces, decriminalisation and labour rights, and collective provision are not “add-ons” to class politics but part of the fight over how labour-power is reproduced and who pays for it.

14.2 A broader view of class struggle

Struggles over public services, housing, food prices, and gendered violence are thus *also* class struggles. They contest who pays the costs of reproducing labour-power: capital, the state, households, or communities.

For example:

- When austerity cuts public healthcare, the burden shifts onto unpaid carers (mostly women).
- When housing is financialised and rents soar, workers must spend more of their wages on shelter, effectively raising necessary labour time and pressuring exploitation.

Marxian political economy enriched by social reproduction theory therefore links factory, office, and platform struggles with feminist, queer, and anti-racist movements.[\[17\]](#)

15 Technology, AI, and the future of work

From automatic looms to industrial robots to AI systems, capital constantly seeks to reduce its dependence on living labour. This is both a driver of productivity and a source of contradiction.

15.1 Automation and the law of value

Automation tends to increase c relative to v , raising OCC and putting downward pressure on r (Section 7). At the same time, it cheapens many goods, raises the technical capacity of society, and potentially frees time for education, art, care, and play.

Under capitalism, however, the gains of automation are unevenly distributed:

- some workers are displaced, others' labour is intensified;
- skills are polarised, with a few high-paid specialists and large layers of precarious, low-paid service workers;
- managerial and surveillance technologies extend the working day into the home via emails, apps, and metrics.

Despite the hype, AI does not abolish the law of value. Behind every algorithm are infrastructures of material labour: data labellers, content moderators, hardware assemblers, miners of rare-earth metals, and workers maintaining data centres. Value is still created by human labour-power.

A particularly clear example is generative AI in offices, media, design, and “knowledge work.” Much commentary treats it either as imminent mass automation or as a neutral

productivity aid. The more immediate dynamic is often neither: it is the *moving benchmark* of socially necessary labour time.

When a tool allows a task to be completed faster under normal conditions, the socially enforced norm for that task shifts. What used to be an acceptable daily output becomes “slow”; what used to require two workers is redefined as one worker’s baseline. The gain is not automatically returned to workers as shorter hours or lower intensity. If wages and hours do not change, the same paid time is made to yield more surplus labour in practice, raising the realised rate of exploitation $e = s/v$ even when the contract form remains unchanged. Under capitalist control, it is typically converted into new targets, tighter deadlines, and higher throughput per unit time.

In Marxian terms, the point is simple. The working day is still split between necessary and surplus labour. If the wage does not rise with the new benchmark, and if working hours do not fall, then raising output by tools and metrics is a practical route to raising the effective rate of exploitation: more surplus is extracted from the same paid time. This is why many workers experience “productivity tools” as speed-up, surveillance, and exhaustion rather than emancipation.

15.2 AI as a class weapon

In many workplaces, AI and digital systems are currently used as tools of management and control:

- automated scheduling, productivity tracking, and ratings in logistics and platform work;[\[21\]](#)
- algorithmic management in call centres and warehouses;
- predictive policing and risk scoring in welfare systems.

From a Marxist perspective, the question is not “Will AI take our jobs?” in the abstract, but who controls the technology, for what purpose, and how its gains are distributed. Under capitalism, the default is to use AI to intensify exploitation and surveillance, not to liberate time.

15.3 Data centres, ecological cost, and democratic control of computation

The same clarity applies to the material infrastructure behind “AI”: data centres, fibre networks, server farms, and the mining and assembly labour embedded in hardware.

These are not abstract clouds; they are energy- and water-intensive industrial systems.[22] The ecological question is therefore not whether computation exists, but *what it is used for, who controls it, and how its costs and benefits are allocated*.

A key point is that modern cloud infrastructure is software-defined and multi-tenant: the same physical systems can run radically different workloads side by side. One class of workloads can be socially necessary and life-saving—storm tracking, flood mapping, early warning systems, public health modelling, grid optimisation, drought monitoring. Another class can be socially low-value but profit-rich—advertising optimisation, mass surveillance, speculative content factories, endless synthetic media churn. It is not the existence of servers as such that decides the outcome, but the social relations that schedule and govern them.

A socialist response, therefore, is not technological abolition but social reorganisation: treat major computational infrastructures as part of the means of production and bring them under democratic control. That implies at minimum: transparent accounting of energy and water use; public rules that prioritise life-preserving and scientific workloads; strict limits on wasteful, speculative, and coercive uses; and open access to essential datasets and models as public goods rather than private moats. In transition, this is one concrete meaning of freeing technology from the profit motive: directing digital capacity toward collective planning and safety rather than accumulation and control.

16 From critique to transition: why this matters for you

We can now step back and summarise what this conceptual and mathematical journey offers.

16.1 Diagnosing everyday exploitation

The categories of value, surplus value, constant and variable capital, the profit rate (r), the organic composition of capital (OCC), and the tendency of the rate of profit to fall (TRPF) are not abstract curiosities. They allow you to:

- read your own wage, hours, and working conditions as part of a global struggle over necessary and surplus labour time;
- see how corporate profits, real-estate bubbles, and public austerity are linked through the circuits of capital;

- understand why reformist policies repeatedly run into structural constraints: profitability, capital flight, debt, and imperial pressure.

To know that your 8-hour shift contains 3 hours of necessary labour and 5 hours of unpaid surplus labour is not just a moral claim; it is a quantitative, structural insight.

16.2 Beyond capitalism: a world beyond exchange-value

Marx did not think capitalism would collapse automatically. Crises create openings, but the direction of change depends on struggle: between classes, between oppressed and oppressor nations, between patriarchal and emancipatory forces.

A world beyond capitalism would mean:

- production organised directly for human needs and ecological sustainability rather than profit;
- democratic control over workplaces, infrastructures, and planning;
- the abolition of the wage relation and of private property in the main means of production;
- the withering away of the state as a specialised apparatus separate from society; and
- the freeing up of time and resources for care, creativity, and self-development.

In such a world, use-values rather than exchange-values would dominate. To be precise: a moneyless society is not achieved by merely banning banknotes. It requires dismantling the social relations that make money necessary—generalised commodity production, wage-labour, and private control over the main means of life. When core necessities are produced and distributed as rights, and when access is organised directly through democratic planning and provisioning, money loses its function as the universal key. The communist horizon is therefore the abolition of the value-form: not that “nothing has value,” but that society no longer has to measure access and activity primarily through exchange-value and price. Money, classes, and borders would lose their reason for existence.

16.3 Your place in the struggle

No single pamphlet can tell you what to do. But it can suggest some directions:

- Organise in your workplace, campus, neighbourhood, and online networks; connect struggles over wages, housing, gender, race, and climate.
- Study collectively: read Marx, Engels, and contemporary Marxists; discuss; argue; relate theory to your experience.
- Build and support organisations—unions, feminist and queer collectives, socialist groups, tenant unions—that link immediate demands to the horizon of a classless, moneyless, stateless society.

Marx wrote that the point is not only to interpret the world, but to change it.^[5] Understanding the logic of capital is one step towards participating consciously in that change.

A Marxian notation at a glance

This pamphlet uses a compact set of standard Marxian symbols. Where a symbol can mean different things in different contexts (for example, k as “cost price” versus k as a conversion factor), we state explicitly which meaning we use locally. We also use indices (i, j, \dots) as generic labels whose meaning is always stated in context (e.g. commodity i , firm j , industry i). We reserve d for the discount (interest) rate in present-value expressions to avoid confusion with indices. Where we refer to prices or money magnitudes in numerical examples, we flag explicitly when we are using a simplifying proportionality between money magnitudes and values for expository clarity.

Table 1: Key symbols and definitions used throughout the pamphlet.

Symbol	Meaning (as used in this pamphlet)
i	generic index used for a particular object (commodity i , industry i , etc.); the meaning is always stated locally at the point of use.
j	index for a producer/firm (firm j) when comparing multiple producers; in other contexts it may serve as a second commodity index, and the meaning is always stated locally.
n	number of firms/producers included in a simple multi-producer illustration (where needed).
d	discount (interest) rate used for present-value calculations (e.g. in the fictitious-capital formula).
C	a commodity (in circuit notation), or commodity-capital as the output of production.
M	money-capital advanced; in the circuit $M \rightarrow C \rightarrow M'$.
M'	money realised after sale, $M' = M + \Delta M$ (surplus-value realised in money-form).
ΔM	increment of money in the circuit of capital: $\Delta M = M' - M$ (surplus-value realised in money-form).
W	total value of the commodity product of a given production period: $W = c + v + s$.
c	constant capital : value of used-up means of production (materials, energy, depreciation of machinery/buildings) transferred into the product; it does <i>not</i> create new value.
v	variable capital : value advanced to purchase labour-power (the wage bill in value terms); “variable” because living labour can create more value than it costs.
s	surplus value : unpaid value created by living labour beyond v , appropriated by capital; in value terms $s = W - (c + v)$.
e	rate of exploitation (rate of surplus value): $e = \frac{s}{v}$.
r	rate of profit : $r = \frac{s}{c + v}$.
OCC	organic composition of capital : $OCC = \frac{c}{v}$.

Continued on next page

Table 1 (continued from previous page)

Symbol	Meaning (as used in this pamphlet)
TRPF	tendency of the rate of profit to fall: <i>ceteris paribus</i> , rising OCC tends to press r downward over long periods (with counter-tendencies).
T	length of the working day (hours).
T_N	necessary labour time: part of the working day that reproduces the value of labour-power (corresponding to v).
T_S	surplus labour time: part of the working day beyond T_N that produces surplus value (corresponding to s); $T_S = T - T_N$.
w_h	money wage per hour under time-wages.
w_p	piece rate: money paid per unit under piece-wages.
q	output per hour (units/hour) in a simple piece-wage illustration.
W_w	money wage bill (total wages paid in money terms), introduced where needed to avoid clashing with W ; for time-wages, $W_w = w_h T$.
SNLT	socially necessary labour time: labour time required to produce a commodity under average conditions of production, with average skill and intensity, using prevailing technology.
L_i^{SN}	SNLT for commodity i : socially necessary labour time required to produce one unit of commodity i under average, prevailing conditions.
L_{ij}	labour time per unit of commodity i at firm j (as produced by j ; in practice this stands in for both direct and indirect labour time embodied in the unit).
q_{ij}	output of commodity i produced by firm j in the period (used as a weight in output-weighted averages).
k	cost price: the money-capital laid out by the capitalist to purchase means of production and labour-power; in value terms, $k = c + v$.
μ	monetary expression of labour time (MELT): conversion factor from labour-time to money magnitudes, used here as money per hour of SNLT. In this pamphlet we denote this conversion factor by μ throughout. If L_i^{SN} is the socially necessary labour time embodied in one unit of commodity i , then its value in money terms is $V_i = \mu L_i^{\text{SN}}$.
V_i	value of one unit of commodity i in money terms: $V_i = \mu L_i^{\text{SN}}$.
K_f	fictitious capital: market valuation (price) of a tradable financial claim on future income, typically modelled as the discounted present value of expected receipts.
R_t	expected net receipts (cash flows) at time t for a financial claim (dividends, interest, rents, or other contractual payoffs), used in present-value expressions.

Reminder: two circuits of circulation

We use standard circuit shorthand (with arrows indicating exchange, and with the dashed circuit notation $C-M-C$ and $M-C-M'$ used elsewhere as compact labels):

- $C \rightarrow M \rightarrow C$ ($C-M-C$): selling in order to buy; the goal is use-value.
- $M \rightarrow C \rightarrow M'$ ($M-C-M'$): buying in order to sell; the goal is ΔM .

B Glossary and acronyms

Acronyms

AI	artificial intelligence
ESG	environmental, social, and governance
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
JG	Job Guarantee
LTV	labour theory of value
MELT	monetary expression of labour time
MMT	Modern Monetary Theory
OCC	organic composition of capital
QE	quantitative easing
SNLT	socially necessary labour time
TRPF	tendency of the rate of profit to fall
UBI	universal basic income
UBS	universal basic services

Glossary of terms

austerity A policy package of spending cuts, hiring freezes, welfare retrenchment, regressive taxation, and/or user fees justified as “fiscal discipline”. In practice it often shifts crisis costs onto workers and the poor while protecting creditors and asset owners.

balance of payments A country’s accounting of transactions with the rest of the world (trade in goods/services, income flows, and financial transfers). Persistent deficits often create pressure for devaluation, import compression, and external borrowing.

capital controls Regulatory restrictions on cross-border movement of capital designed to limit capital flight, currency pressure, and the ability of owners to discipline reforms through financial exit.

capital flight Rapid private movement of funds out of a country (or out of domestic investment into safer assets), often triggered by crisis, political conflict, or expectations of devaluation. Capital flight can force currency pressure, reserve loss, and harsher adjustment.

conditionality Policy conditions attached to loans or debt restructuring (commonly by the IMF or creditor blocs). Typical conditions include subsidy cuts, wage restraint, privatisation, deregulation, central bank “independence,” and fiscal consolidation.

debt servicing Ongoing payments of interest and principal on debt. For many states, debt service becomes a prior claim on public revenue, structurally pressuring social spending and investment even without an explicit austerity programme.

decommodification Shifting access to essentials (housing, health, care, transport, energy, water) out of the market and away from ability to pay, toward rights-based provision.

ESG A framework used by investors and firms to score “environmental, social, and governance” performance. ESG can pressure disclosure and some standards, but it is often criticised as compatible with continued extraction and financialisation, turning ecological crisis into a portfolio and reputational management problem.

Eurozone The group of EU member states using the euro. Eurozone membership removes independent monetary policy and exchange-rate adjustment, making fiscal policy and wage/price dynamics central sites of “internal devaluation” during crises.

exchange-rate pass-through The extent to which a currency devaluation raises domestic prices, especially for imported essentials (fuel, fertiliser, medicine, machinery). High pass-through can turn devaluation into immediate inflation and real-wage cuts.

fictitious capital Tradable claims on future income streams (shares, bonds, securitised claims, many derivatives) whose market valuation can expand beyond surplus value currently produced, until crises force devaluation.

financialisation A pattern in which profits, strategies, and power shift toward finance, asset price inflation, and rent extraction, rather than expanded productive investment and wage growth.

fiscal consolidation Reducing government deficits through spending cuts and/or tax rises. It is frequently presented as technocratic “budget repair,” but its class content depends on who is taxed, which services are cut, and whether interest payments to creditors are ring-fenced.

import-substitution industrialisation (ISI) A strategy to replace imports with domestic production through tariffs, credit allocation, industrial policy, and state procurement. ISI can build capacity, but it often hits constraints around technology, energy, foreign exchange, and class control of investment decisions.

inflation targeting A monetary-policy framework where the central bank prioritises hitting an inflation target, typically via interest-rate moves. Critics argue it can treat inflation as a purely monetary phenomenon while ignoring supply shocks, monopoly pricing, and import dependence.

Job Guarantee (JG) A proposal that the state offers a public job at a socially defined wage to anyone willing to work. Advocates treat it as an employment floor and stabiliser; critics debate job quality, political control, and whether it can be insulated from austerity and patronage without strong democratic governance.

Keynesianism A macroeconomic approach associated with John Maynard Keynes that emphasises stabilising output and employment via demand management (especially fiscal policy and public spending), particularly during downturns.

Modern Monetary Theory (MMT) A heterodox framework arguing that a state that issues its own currency cannot “run out” of money in the way households can; the binding constraints are real resources, productive capacity, and inflation dynamics. It stresses the role of taxation and bond issuance in managing demand, distribution, and monetary conditions rather than “funding” spending in a mechanical sense.

Monetarism A macroeconomic doctrine associated with Milton Friedman that prioritises controlling inflation by managing the money supply and/or interest rates, often via tight monetary policy.

primary balance A government’s fiscal balance excluding interest payments on existing debt. A “primary surplus” can coexist with rising total debt burdens if interest costs remain high or growth is weak.

protectionism Using tariffs, quotas, licensing, local-content rules, or public procurement to shelter domestic producers from foreign competition. It can defend jobs and

industrial capacity, but its effects depend on who controls protected firms, how prices/wages move, and whether technology/inputs are domestically available.

Quantitative easing (QE) A central bank policy of purchasing government bonds and/or other financial assets to expand its balance sheet and push down longer-term interest rates. QE can stabilise financial markets, but it often inflates asset prices and does not automatically translate into productive investment or higher wages.

structural adjustment A reform programme—historically associated with IMF/World Bank lending—that restructures economies toward export orientation, market pricing, privatisation, and reduced public provision. The “adjustment” is usually borne through depressed wages, weakened labour protections, and reduced social spending.

Syriza A Greek left party (Coalition of the Radical Left) that came to power in 2015 on an anti-austerity mandate. Its confrontation with the Troika became a major reference point for debates on debt, monetary sovereignty, and the limits imposed by Eurozone institutions.

trade liberalisation Reducing tariffs, quotas, and other trade barriers. It is often sold as “efficiency,” but in unequal world markets it can accelerate deindustrialisation, worsen trade deficits, and deepen dependence on imported inputs and foreign currency.

the Troika A term commonly used for the European Commission (EC), the European Central Bank (ECB), and the IMF acting jointly in crisis programmes and conditional lending in the Eurozone.

Universal basic income (UBI) An unconditional cash transfer to all residents or citizens. Proposals differ sharply: some are designed to replace welfare and subsidise low wages, while others are framed as an income floor that complements strong public services, labour rights, and decommodification.

Universal basic services (UBS) A model of guaranteeing key services—health, education, housing, transport, care, water/energy—through public provision or social rights rather than cash transfers. UBS centres decommodification and collective infrastructure, but requires fiscal capacity, democratic control, and organised labour to prevent deterioration or capture.

References and further reading

References

- [1] Marx, K. (1867) *Capital: A Critique of Political Economy, Volume I*. Available at: <https://www.marxists.org/archive/marx/works/1867-c1/>.
- [2] Marx, K. (1894) *Capital: A Critique of Political Economy, Volume III*. (Edited by F. Engels.) Available at: <https://www.marxists.org/archive/marx/works/1894-c3/>.
- [3] Marx, K. (1857–58) *Grundrisse: Foundations of the Critique of Political Economy*. Available at: <https://www.marxists.org/archive/marx/works/1857/grundrisse/>.
- [4] Engels, F. (1878) *Anti-Dühring*. Available at: <https://www.marxists.org/archive/marx/works/1877/anti-duhring/>.
- [5] Engels, F. (1883) “Speech at the Grave of Karl Marx”. Available at: <https://www.marxists.org/archive/marx/works/1883/death/burial.htm>.
- [6] Lenin, V. I. (1916) *Imperialism, the Highest Stage of Capitalism*. Available at: <https://www.marxists.org/archive/lenin/works/1916/imp-hsc/>.
- [7] Trotsky, L. (1931) *The Permanent Revolution*. Available at: <https://www.marxists.org/archive/trotsky/1931/tpr/>.
- [8] Patnaik, U. and Patnaik, P. (2016) *A Theory of Imperialism*. New York: Columbia University Press.
- [9] Shaikh, A. (2016) *Capitalism: Competition, Conflict, Crises*. Oxford: Oxford University Press.
- [10] Harvey, D. (2003) *The New Imperialism*. Oxford: Oxford University Press.
- [11] Harvey, D. (2005) *A Brief History of Neoliberalism*. Oxford: Oxford University Press.
- [12] Harvey, D. (2010) *A Companion to Marx’s Capital, Volume 1*. London: Verso.
- [13] Peet, R. (2003) *Unholy Trinity: The IMF, World Bank and WTO*. London: Zed Books.
- [14] Smith, J. (2016) *Imperialism in the Twenty-First Century: Globalization, Super-Exploitation, and Capitalism’s Final Crisis*. New York: Monthly Review Press.
- [15] Roberts, M. (2016) *The Long Depression: Marxism and the Global Crisis of Capitalism*. Chicago: Haymarket Books.

- [16] Rosenberg, J. (2006) “Why is there no International Historical Sociology?” *European Journal of International Relations*, 12(3), 307–340. (Develops the concept of uneven and combined development in IR/IHS.)
- [17] Bhattacharya, T. (ed.) (2017) *Social Reproduction Theory: Remapping Class, Recentering Oppression*. London: Pluto Press.
- [18] Federici, S. (2004) *Caliban and the Witch: Women, the Body and Primitive Accumulation*. Brooklyn: Autonomedia.
- [19] Dedrick, J., Kraemer, K. L. and Linden, G. (2010) “Who profits from innovation in global value chains? A study of the iPod and notebook PCs”. *Industrial and Corporate Change*, 19(1), 81–116. DOI: <https://doi.org/10.1093/icc/dtp032>.
- [20] Hickel, J., Sullivan, D. and Zoomkawala, H. (2022) “Plunder in the Post-Colonial Era: Quantifying Drain from the Global South through Unequal Exchange, 1990–2015”. *Global Environmental Change*, 73, 102467. DOI: <https://doi.org/10.1016/j.gloenvcha.2022.102467>.
- [21] Wood, A. J., Graham, M., Lehdonvirta, V. and Hjorth, I. (2019) “Good Gig, Bad Gig: Autonomy and Algorithmic Control in the Global Gig Economy”. *Work, Employment and Society*, 33(1), 56–75. DOI: <https://doi.org/10.1177/0950017018785616>.
- [22] International Energy Agency (IEA) (2019) *Data Centres and Data Transmission Networks*. Paris: IEA. Available at: <https://www.iea.org/>.
- [23] IPCC (2022) *Climate Change 2022: Mitigation of Climate Change*. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge: Cambridge University Press.
- [24] OECD (n.d.) *Steel* (topic page). Organisation for Economic Co-operation and Development. Available at: <https://www.oecd.org/en/topics/sub-issues/steel.html> (accessed 1 January 2026).
- [25] Carmody, P., Taylor, I., and Zajontz, T. (2021) ‘A new global imaginary: The Belt and Road Initiative and the spatial fix’, *Business and Politics*, 23(4): 642–676. <https://doi.org/10.1017/bap.2020.25>
- [26] International Monetary Fund (2023) *Pakistan: First Review Under the Extended Arrangement Under the Extended Fund Facility; Requests for Modification of Performance Criteria, and Financing Assurances Review—Press Release; Staff Report; and Statement by the Executive Director for Pakistan*. IMF Country Report. Available at: <https://www.imf.org/en/Publications/CR/Issues/2023/06/30/Pakistan-First-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-535600> (accessed 1 January 2026).

- [27] The Struggle (Pakistan) (2024) *Pakistan Perspective 2024–25* [PDF]. Available at: <https://www.struggle.pk/wp-content/uploads/2024/02/The-Struggle-Pakistan-Perspective-2024-25-PDF-Final.pdf>.
- [28] Asian Marxist Review (2025) *A Turning Point in History: Trump, Crisis, and the Decline of the Liberal Order* (World Perspectives 2025) [English translation of the first draft of the Congress 2025 document]. Available at: <https://www.marxistreview.asia/wp-2025/>.