***Shaikh, “An Introduction to the History of Crisis Theories” Summary***

**Part 1 – Reproduction and Crisis**

Analysis of reproduction and analysis of crisis are inseparable. When an economic system is healthy, it rapidly revives from all sorts of setbacks; when it is unhealthy, practically anything can trigger its collapse. Anwar Shaikh largely divides history of economic thought to three groups: neoclassical theory claiming that economy is self-equilibrating regardless of left to itself (neoclassical theory) or properly managed (Keynes), the opposite saying that capitalist system is incapable of self-expansion, and Marxist view claiming that capitalism is capable of self-expansion.

**Part 2 – Capitalism as Automatically Self-Reproducing**

1. The Laissez-Faire Tradition

Traditional view of economics stating that economy is self-balancing. Refractory period according to this view is not a crisis but essentially small fluctuations that give rise to self-generating cycles.

1. The Keynesian Tradition

Relatively newer view claiming that systems are not self-balancing and that it requires purposeful interventions. Keynesians tends to see crisis as accumulation as a series of errors in policy.

**Part 3 – Capitalism as Incapable of Self-Expansion**

1. The Concept of the Demand Gap

Workers buy back a portion of the net product. But since workers never receive the whole of net income, they can never buy back the whole of net product. Therefore, workers can never buy back the whole of net product. Worker consumption always leave demand gap, and the lower the share of their wages, the greater the demand gap.

To fill in this gap, capitalist would have to use all their income, but there can be not investment in that case, hence no growth, and no accumulation.

1. Conservative and Radical Underconsumption Theories

Thomas Malthus – Demand for consumer goods regulates production; only a certain rate of growth is sustainable (1820s)

Simonde de Sismondi – Not only does a tendency to underconsumption exist, but it also gets worse as capitalism matures.

J.A. Hoboson – postulates a sustainable rate of growth and shows that saving leads to slump.

Department I (the producer goods industry) strictly subordinate to Department II (consumer goods)

1. Marxian Underconsumption and Disproportionality Theories

Conceptualized overall production in terms of producer goods and consumer goods.

Identified three types of effective demand: replacement demand, workers consumption demand, and capitalist consumption and net investment demand

Marx analysis – total investment and capitalist consumption expenditures determine effective demand.

**Part 4 – Capitalism as Self-Limiting Accumulation**

Tendency for profitability to decline is not caused by high wages. Periodic crises which result from declining profitability cannot be attributed to labor’s demands or resistance.

1. Marx’s Theory of the Falling Rate of Profit

Accumulation progressively lessens profitability. At the same time, accumulation implies extension of capitalist relations, increase of the proletariat and of its strength.

1. A History of Falling Rate of Profit Theory

Competition of capitalists for markets, materials, and cheap labor power

Economic concentration and centralization increase

Cut labor power directly, through mechanization, or by import of cheap labor power.

1. Class Struggle and the Profit Squeeze

The size of the working class and the extent of its collective experience in struggle against capital is on the rise. Increasing attack on labor is met with an increasing resistance and counter-attack. Thus, class struggle intensifies.