Transformation and Crisis of World Capitalism:

Long-run Trends and Prospects

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Joint Conference "Political Economy and the Outlook for Capitalism"

Paris, 5-8 July 2012

Abstract

As argued, in the age of globalization and transnational capitalism, it is both theoretically and politically inadequate to still follow a realist approach, focusing on particular nation-states and the relationships between them. A shift of attention is required, focusing on world capitalism as a whole. A logical and historical analysis implies a particular periodization of capitalism, and on this ground the value-theoretical approach adopted allows an effective exploration of the contemporary conditions of accumulation and crisis facing world capitalism. After a brief account of Marx's view on this issue, we proceed to a more specific investigation of the operation of the law of value within the currently transnational development and increasing globalization of capital. The implications of this law are investigated more specifically with regard to the uneven pattern of development, the crisis, and the long-run perspectives of world capitalism. Considering the recently exacerbated crisis of world capitalism, we come up with the conclusion that the prospects of a renewed and sustainable accumulation of capital are extremely slim, opening thus a historical potential for the supersession of capitalism.

1. Introduction

Despite diversity and varying performance of capitalism in different parts of the world, there is growing evidence of an interconnectedness and interdependence which is surely associated with the increasing globalization and transnational accumulation of capital, particularly during the last few decades. In view of this drastic change, I will here emphasize the need to move from a realist approach, focusing on the accumulation or crisis of capital in any national context and the relations or contradictions between 'national capitalisms', to a more holistic and dialectic approach focusing on the development and crisis of world capitalism as a whole.

At the same time, the historically unprecedented exacerbation and spread of the current crisis raises crucial questions concerning the explanation of crisis, its particular patterns of manifestation, whether cyclical or secular, and the long-run prospects of capitalism. And the most crucial question is whether capitalist reforms and a global restructuring and transformation of capital could possibly create the conditions for another long wave of accumulation, leading potentially to a new stage in the development of capitalism, or if an epochal (historical) crisis could potentially lead to a supersession of capital as a specific mode of production.

In our attempt to explore the transnational accumulation and uneven development of capital, as well as the currently deepening crisis and the long-run perspectives of capitalism, it is methodologically imperative to focus on the operation and the implications of the law of value as the most fundamental law of capitalism. The law of value provides a connecting thread for explicating the apparent complexities and the growing interdependencies of contemporary capitalism. Investigating the specific functions and the implications of this law within the context of an increasingly globalized capitalism, as well as the tensions and the potential crisis facing the law itself, will illuminate the specific conditions of accumulation and the unfolding crisis of capitalism, enabling thus a more realistic assessment of the historical prospects of capitalism.

A logical and historical analysis, in section 2, offers the methodological framework for the historical specification of value and the operation of the law of value under capitalism, as well as for the historical periodization of capitalism. In section 3, based on the theory of value, I briefly outline what I consider as the most relevant theory of crisis, focusing on the causes and implications of over-accumulation of capital and the crucial role of the law concerning the tendency of the rate of profit to fall (TRPF). I also make some critical comments regarding some minor shortcomings of the relevant Marxist literature. In section 4, I proceed to a critical review of some theoretical and empirical literature concerning the long-run trends and cycles of capitalism. Bringing together the main sources of the preceding discussion, section 5 is an attempt to explore the development of world capitalism as a whole, based on a more specific analysis concerning the operation of the law of value within the present highly globalized context. Our analysis on this level provides the basis for a better assessment of the current crisis and the long-run trends of capitalism, while the last section (6) concludes with both the theoretical and socio-political implications of our analysis and the historical prospects of capitalism.

2. **Logical analysis and historical periodization of capitalism**

Both the classics of Marxism and contemporary Marxist researchers have methodologically engaged with a logical (theoretical) and a historical analysis of particular societies, and this has been significantly the case with the capitalist mode of production (CMP) more specifically. The need itself to analyze specifically any particular society, in order to understand its mode of organization and the pattern or dynamic of its historical development, implies the necessity of examining more specifically the prevailing social relations of production, that is, the relations among people or social classes ensuing form their involvement in the social process of production. It is in this sense that Marx points out that 'the so-called *general preconditions* of all production are nothing more than these abstract moments with which no real historical stage of production can be grasped' (Marx 1973: 88).

Although there is still an open debate regarding the relation between logical and historical analysis, putting aside both an abstract theoreticism and an apparent historicism, we should rather focus on the truly dialectical relation between theoretical and historical analysis. Scientific theory, of course, always involves some abstraction, but this should not be arbitrary theoretical abstraction. Based on the presuppositions of historical materialism, we should rather stress that theoretical abstractions should be produced by, or closely correspond to reality itself in its dynamic evolution. Taking as the task of scientific research, not 'the dialectic balancing of concepts [but rather] the grasping of real relations', this research should start from a concrete level in order to theoretically reproduce concrete reality, without missing what Marx points out as a 'rich totality of many determinations and relations' (Marx 1973: 90, 100). In this sense, a logical (theoretical) analysis, while stemming from a historically changing reality, reflects a particular understanding of this reality, and may serve to illuminate, not only a particular social formation, but also to better grasp, retrospectively, historical change at previous (lower) levels of development.

As is commonly recognized in Marxist research, the CMP constitutes the culmination of a historical change starting from primitive society, to pass through slavery and feudalism, which has subsequently led to a transition to capitalism. In exploring this historical change and the transition to capitalism, a crucial question arises with regard to the Marxian concept of value, the related law of value, and the historical relevance of this concept and law. Contrary to Engels and several Marxists, other Marxist researchers, closer to Marx's own approach, consider that the law of value applies specifically to capitalism, and does not concern other pre-capitalist or post-capitalist modes of production (see Weeks 1981: ch.2, Fine 1986: 12). It is only under capitalism that the social and economic conditions exist for a full-fledged operation of the law of value, and these conditions include the domination of commodity production, the commodification of labour power, the free and competitive mobilization of resources across different sectors, and the tendency for an equalization of profit rates. Within this context, the law of value encompasses the society – nature metabolism and the historically specific conditions under which labour takes the form of value, the allocation of resources through the market mechanism, the regulation of commodity prices by the relevant values, and the extraction of surplus value from exploited labour and its reallocation across the economy (see Liodakis 2001). Moreover, as pointed out, 'The law of value … is not only the law of labor time under capitalism (division of labor), the law of surplus value (exploitation), but also the mechanism of alienation' (Weeks 1981: 48-49).

Coming now to a historical periodization of the CMP, it should be noted that a commonly accepted view in the Marxist tradition is that, after a first but protracted period of transition, variously called merchant or primitive accumulation capitalism, a stage of free market (laser faire) capitalism spans the period until about the end of the nineteenth century, that was followed by the stage of monopoly capitalism or *imperialism*, in the Leninist sense. A particular approach would also speak of a particular state-monopoly phase of monopoly capitalism after World War II.

A periodical analysis of capitalism, namely the identification of distinct stages in its development, does not concern the general laws of accumulation characteristic of the capitalist mode of production itself, but rather the expansion of this mode of production in space and time, the transformation of its social and power relations, and most importantly the transformations in the methods of extraction and appropriation of surplus value (see also Fine and Harris 1979: ch.7, Brewer 1989: 44-51, Liodakis 2005, 2010: ch.2). The dialectic of a logical and historical analysis is particularly relevant and revealing as we move, in the period since Marx's time until the present conditions, from a formal to a real subsumption of labour to capital.

As I have argued elsewhere, the transnational development of capitalist relations, which is an inherent tendency of the CMP from its early stage of primitive accumulation, has further expanded during the stage of national constitution and imperialist expansion of capital, to usher with the rapid tendency toward globalization and transnational accumulation during recent decades in an emergent new stage of *transnational* or *totalitarian capitalism* (Liodakis 2005, 2010). The pervasive restructuring of capitalism, following the deep over-accumulation crisis that came to surface in the 1970s, has been a crucial factor in the currently evolving consolidation of this new stage of capitalism. As stressed, apart from all else, 'what constitutes the landmark for the new stage of capitalism is the universal (tending to a total) subsumption not only of labor but also of science and nature under capital' (Liodakis 2005). The ever-growing concentration and conglomeration of capital, along with an increasingly repressive and authoritarian character of contemporary capitalism also constitute important features of this new stage, which is conceived as a dialectical supersession of the previous imperialist stage. In this sense, it is moreover pointed out that, 'In the emerging new stage of capitalism, though the *imperium* of capital is maintained, its emphasis has largely shifted from international (nation-state) contradictions to the class contradiction between capital and labour, which evolves on a transnational level and takes the form of an absolutist social oppression and exploitation against labour' (Liodakis 2010: 54).

3. **Value theory and crisis**

As explicated by a great number of studies, it is only through the labour theory of value and a value-theoretical approach that we can adequately grasp the actual process of self-expansion of capital, its specific patterns of sectoral and geographical development, and the immanent tendency of the CMP towards a recurrent or secular crisis. Marx himself explored the development and expansion of capital on the basis of an abstract conception of the operation of the law of value. This level of abstraction referred to society at large, potentially to the totality of a particular social formation, or could presumably refer to the world economy as a whole. However, in his specific exploration of the phenomena, the tendencies and the internal contradictions of capital, he focused on the British economy which was the most advanced capitalist economy of his time. This theoretical endeavour was obviously undertaken on the assumption that what was true for the British economy would presumably be true also for capitalism in general. Based on such a theoretical exploration of domestic capitalist developments, he then examined more specifically the effects of external (or international) relations, developing within an expanding world market, on the internal contradictions and the potential of accumulation of capital.

As demonstrated through Marx's analysis, the competitive self-expansion of capital implies an imperative of continual technological innovation of production, which allows a generalized increase of labour productivity, a corresponding cost-reduction and a decline in commodity values. As noted, 'The value of a commodity is determined by the total labour-time of past and living labour incorporated in it. The increase in labour productivity consists precisely in that the share of living labour is reduced while that of past labour is increased, but in such a way that the total quantity of labour incorporated in that commodity declines' (Marx 1967 III: 260-61). According to Marx's approach, in capitalism, productive labours or sectors are only those producing surplus value, but it is recognized that several unproductive activities (in this particular sense), such as commercial and credit services, product promotion and marketing or advertisement, may be useful and necessary for the reproduction and development of capital. The reduction in the socially abstract necessary labour time required for the production of commodities allows, in turn, the reduction of necessary labour and a corresponding increase in the production of surplus value (the source of profit). Insofar as this reduction of values concerns the necessities of life, the decline in the cost of labour reproduction potentially leads to a movement from an extraction of absolute to an extraction of relative surplus value. This movement roughly corresponds to the movement from a formal to a real subsumption of labour under capital, which entails, not only the mechanization and technological modernization characterizing industrial capitalism, but also a subordination and capitalist reorganization of all production (see Marx 1864, Liodakis 2010: 48-50). This tendency towards a real subsumption and relative surplus value extraction that was already dominating in Marx's time, is today overwhelmingly dominant, but as the extraction of relative surplus value confronts some limits, it is often combined with renewed forms of absolute surplus value extraction, as is currently the case with the intensification of labour and the unpaid overtime work.

As Marx has demonstrated, the law of value governing the reproduction and expansion of capitalism does not ensure a smooth and linear reproduction. Capitalism is rather developing through recurrent crises and shorter or longer economic fluctuations. Although in some parts of his work Marx has referred to other causes of crisis, his main explanation of recurrent crisis relates to the law of the tendency of the rate of profit to fall (TRPF) that he considered as a fundamental law of political economy (Marx 1967 III: chs.xiii-xv). The cyclical reproduction of capitalism is inherently related to the TRPF, which is due to the decreasing quantity of surplus value, not in absolute terms, but relative to the capital invested. This leads to crises and destruction of capital, not only by devaluing or destroying material wealth, but more crucially by destroying capital as a social relation of production (bankruptcies, unemployment, and so on). These conditions, in turn, may create a renewed potential of profitability and recovery of capital. Based on this dialectical process, Marx first demonstrates the operation of the law of the TRPF as such, and then proceeds to examine the impact of a number of counteracting tendencies. Apart from the potential increase in the rate of labour exploitation and other counter-acting factors, foreign trade plays an also important role as a counteracting factor connecting the domestic economy with the world market. Examining the contradictory impact of this factor on the average profitability of capital and its potential accumulation, Marx notes:

> Since foreign trade partly cheapens the elements of constant capital, and partly the necessities of life for which the variable capital is exchanged, it tends to raise the rate of profit by increasing the rate of surplus-value and lowering the value of constant capital. … by permitting an expansion of the scale of production [it] hastens the process of accumulation, on the one hand, but causes the variable capital to shrink in relation to the constant capital, on the other, and thus hastens a fall in the rate of profit (Marx 1967 III: 237).

Leaving apart the lasting theoretical debate on crisis throughout the twentieth century, and all those explanations (whether mainstream or Marxist) associated with mismanagement, profit-squeeze, under-consumption and inadequate productivity, I will here stress that an important Marxist scholarship has recently offered the best explanation available of the current crisis of capitalism, based on the law of the TRPF and the over-accumulation of capital (see Shaikh 1992, 2010, Moseley 2003, Roberts 2009, Kliman 2010, Maniatis 2010, Carchedi 2011a, 2011b). As both Marx's work and this contemporary literature show, the exacerbated crisis of capitalism is not the result of inadequate productivity or any of the other factors mentioned above, but rather of the increasing technological modernization of production which raises the organic composition of capital (OCC) and by extensively displacing living labour, the only source of new value, it necessarily leads to a decline of average profit rates and hence to crisis. Some of these Marxist scholars have offered a rigorous demonstration of the cyclical reproduction of capitalism (see Shaikh 1992, Roberts 2009). However, some aspects of this generally credible theory of crisis are in need of a further refinement. Some critical comments in this and the following sections of this paper are intended as a potential contribution to such a refinement and further development.

My critical points mainly concern, the identification of the factor(s) determining a presumably stable (or constant) duration of economic cycles, whether regular short cycles or long waves, the inadequate explicit connection of domestic cycles with a broader cyclical reproduction of capital on a global level, and the inadequate ecological foundation of the law of the TRPF and the theory of crisis. Remarkably, most of the relevant research takes nature into account, at best, as an external factor, and not as largely produced through and a constituent element in the process of capital accumulation. It is also notable that, while this over-accumulation theory of crisis, based on the law of the TRPF, has been sufficiently supported on both theoretical and empirical grounds, some researchers tend to revert to a less satisfactory structuralist interpretation of crisis related to an overexpansion of the unproductive sector of the economy and its 'financialization' particularly during recent decades. In his erudite and well researched study of crisis and economic cycles, for instance, M. Roberts (2009: 33, 42, 45, 179) explains the tendency of a declining profitability through a rising OCC, but does not consistently uphold with this hypothesis. Examining the impact on profitability, of a rising OCC and the financialization of capital, he considers these processes as largely independent, and on empirical grounds he seems to shift to an explanation based on the unproductive restructuring of capitalism. I would argue, however, that the former tendency (rising OCC) is more systemic and important, and it is more of a secular rather than a cyclical trend. The question moreover arises as to why and how the unproductive restructuring and financialization of capitalism comes about (see Lapavitsas 2009), and what is the potential impact on the OCC of capital. As I have more specifically argued (Liodakis 2010: 45-46), it is the rising OCC and the concomitant decline of profit rates that mainly lead to an expansion of speculative activities and an increasing financialization, and not vice versa (see also Carchedi 2011b, Potts 2011).

There is often some confusion associated with an inadequate distinction between the dialectical logic reflected on the cyclical pattern of development of capitalist production in general and the real historical determinations of capitalist production due to specific natural, institutional and technological conditions. In many cases, researchers explore the conditions of capitalist accumulation or crisis on a national level, mostly focusing in the US economy, and then implicitly project the relevant trends on a transnational (global) level. It is thus assumed that what is true for the US, regarding for example the trends of capital composition and profitability or the productive/unproductive labour distinction, is also largely true of the world economy. This induction, however, may not be entirely safe. I would argue instead for the need to directly explore the development trends and the conditions of capitalist accumulation within the world economy as a whole, though allowing for a historically and socially specific diversity and unevenness of development within this global context. As a specific case we may here refer to Roberts' important insight related to financialization and the decline in capitalism's ability to develop productive forces (2009: 55, 83-84), which may be true for the US, but may not be equally true for world capitalism as a whole, especially if we take into account new accumulation frontiers such as China and India.

An exploration of the current crisis, which is arguably a displaced and exacerbated continuation of the over-accumulation crisis of the 1970s (see Liodakis 2010: 146-149), and of the historical prospects of world capitalism, requires a more comprehensive analysis of the cyclical pattern and the secular trends of capitalist development, not merely in any particular national context, but within the world economy as a whole. For this reason, it is necessary to proceed in the next section with a critical review of the relevant literature and the evidence available.

4. Cycles and long-run trends of capitalism

Marx's theoretical analysis of capital, his dialectical interpretation of crisis and the law of the TRPF, as well as his insights deriving from the historical evidence available in his time could, at best, serve as a theoretical framework for analyzing and anticipating future developments of capitalism. But the historical evidence on contemporary capitalism is also absolutely necessary in order to further develop and enrich this theoretical framework and help in analyzing the long-run trends and prospects of capitalism.

Apart from mainstream economists, such as J. Schumpeter and S. Kuznets, who have studied the economic fluctuations of capitalism, several Marxist economists have also extensively analyzed the cyclical fluctuations of capitalism and have empirically explored its real historical development (see, for instance, Maksakovsky

[1928], Grossmann 1929, Mandel 1975: ch.4, Shaikh 1992, 2010, Roberts 2009). However, most Marxist researchers have primarily focused on the cyclical logic of profitability, in abstraction from a real time-space frame and, largely, in abstraction from the material base of all production (nature). Taking these aspects into account implies that we should more comprehensively take into account the historical change in the material conditions of production.

As is familiar, several categories of economic fluctuations (or cycles) have been identified in the relevant literature, including 3 to 5-year inventory cycles, medium (business or Juglar) cycles associated with a 7 to 10-years renovation of fixed capital, real estate and construction cycles of about 18 years (Kuznets), stock market or profit cycles with a duration of about 32 years, and long Kondratiev cycles (or long waves) of about 50 years reflected on fluctuations in interest rates, production prices and agricultural prices in particular, or associated with innovatory technology (Schumpeter). According to Mandel (1975: 141), industrial output and the volume of world trade constitute the most appropriate indicators of 'long waves'. For him, the basic determinant of long waves is the rate of profit and the related periodic 'spurts of radical renewal or reproduction of fundamental productive technology' (1975: 145).

Considering the economic fluctuations and trends of capitalism more specifically, A. Shaikh (1992) has rigorously demonstrated that the mechanization and capitalization of production implies a rising materialized composition of capital [C/(V+S)], which 'produces a downward drift in the general rate of profit, *even when the rate of surplus value s/v is rising faster than the materialised composition of capital C/(v + s)*' (Shaikh 1992: 177, emphasis in the original). As is further argued, 'no matter how fast s/v rises, the rate of profit eventually falls' (Ibid.). However, most Marxist studies seem to ignore this necessity of a secular decline in the profitability of capital, focusing rather on the cyclical reproduction of capital. Roberts (2009) is a characteristic example. Although he sharply locates capitalist profitability as the major determinant of economic conjuncture, he empirically identifies several types of cycles and dogmatically holds upon this mechanical pattern of a regular cyclical reproduction, without (a) an adequate explanation of the specific duration of each particular cycle, and (b) a sufficient attention to secular trends. There is, in general, considerable disagreement in the relevant literature, regarding the empirical verification of various types of cycles in different countries, as well as the estimated duration of particular cycles and the factors potentially determining a significant deformation of economic cycles. According to Shaikh's empirical assessment (1992, and also 2010), for example, the duration of long cycles in the US economy varies and can be as short as 40 years, while for Roberts (2009: 56) the estimated duration of these cycles is around 64-72 years.

On theoretical and empirical grounds, and recapitulating the relevant critiques of researchers such as Gerzstein, Garvy and Trotsky, A. Woods (2000) refutes Kondratiev's broadly accepted cycles, arguing plausibly that the real historical development of capital is far more complex and does not conform to any 'eternally repetitious series of cycles'. As pointed out, a fatalistic acceptance of a regular cyclical pattern would demobilize working class struggle. He also criticizes Mandel's erroneous acceptance of Kondratiev's cycles and stresses that, contrary to Mandel, Trotsky speaks of *distinct historical periods*, while refuting long cycles, considering instead that, apart from the internal dynamic of accumulation, the curve of capitalist development is significantly determined by 'external conditions' associated with non-economic factors such as wars and revolutions. Maksakovsky (2005) has similarly rejected the existence of Kondrativ's long cycles.

Another problem with most Marxist treatments of crisis and the relevant explorations of the long-run prospects of capitalism relates to the almost complete ignorance of the natural-ecological foundations of social reproduction. While a mechanistic and economistic interpretation of crisis and the TRPF might lead to a conception of either a perpetual cyclical reproduction or an automatic collapse of capitalism, taking explicitly into account the socio-ecological foundations of capitalism could contribute to a more dialectical approach to the relation between society and nature, involving the specific role of technology, the rising OCC (C/V), the real unfolding of the TRPF, and the generalization of socio-ecological crisis. In other words, taking into account material scarcity and the availability or the limits of *ecological surplus* (food, energy, and natural resources) contributes to a more adequate explanation of both the expansion and the limits of the accumulation process, as well as the accelerating secular decline in the profitability of capital (see Liodakis 2010a, Moore 2011a). Class struggle plays an also crucial role in this dialectical process insofar as it sets limits to the downfall of employment, tends to increase the cost of labour power, and obstructs capital's efforts to capitalize nature (see Smith 2006). Such a long-term socio-ecological approach, therefore, can be valuable in explaining the actual potential of capitalist accumulation, as capital moves from the local to the global level, and the long-term prospects of capitalism (see Moore 2011b). As this process of metabolism between society and nature is ultimately governed by the law of value, the operation of this law can also potentially illuminate the prospects, the limits, and the crisis of contemporary capitalism.

It is within such a dialectical approach that we can fully grasp the complex process of capitalist expansion and accumulation, governed by the law of value, and encompassing not only the internal dynamics of capitalist valorization, but also the related class struggle and the socio-ecological limits of capitalist reproduction. Taking, in other words, into account all major counteracting processes, which have so far partly or temporarily offset the fall of the rate of profit, leading thus to a mitigation, displacement or postponement of the over-accumulation crisis. Of major importance, among these processes, is the increasing exploitation of labour, technological and organizational developments, the transnational expansion (globalization) of capital, and the overexpansion of credit and a fictitious capital hovering well above the potential of capitalist valorization (see Roberts 2009: 179-180, 190, Carchedi 2011b). Despite these counteracting factors, the extensive finacialization of capital, a partial recovery of the declining profitability during recent decades, through a severe labour squeeze, and some temporary fluctuations associated with a number of successive economic bubbles (new technology, stock market, and real estate), the deeply entrenched over-accumulation crisis has inevitably culminated with the 'Great Recession' after 2007 (see the evidence provided in the relevant literature cited above). And while most researchers focus on the cyclical fluctuations of capitalism, there is sufficient evidence of a secular decline, in terms of profitability and growth rates, which has not been sufficiently appreciated in the relevant literature. The basic economic indices since the 1970s seem to confirm that capitalism has never recovered the level of profitability, investment, growth and employment attained during the post-war boom, which means that it is no longer able to develop the forces of production as in the past (see Woods 2000, Roberts 2009: 173, 181). But as most of these processes and the real unfolding of crisis cannot be fully grasped within any particular national context, the actual prospects of capitalism can be fully assessed only by exploring its global trends. The global expansion of capital may have partly or temporarily relaxed the downward decline of profitability, but only to postpone crisis and displace the limits of accumulation to the global level.

As I have however noted above, most relevant studies explore the cyclical fluctuations or long-run trends of particular national economies, and especially of US, while implicitly projecting these trends to the global level. Apart from else, however, such a projection fails to take into account the emerging new frontiers (or cores) of accumulation, the growing interdependencies in the global economy and between these new cores (especially between US and China), and the fragility of the transnational system of trade and finance. It also fails to sufficiently take into account the new growth potentials as well as the limits posed for capital at the global level. There is a need, therefore, for a more integrated and solid analysis of the world economy, which would contribute, not only to a better understanding of the present state and the evolutionary prospects of world capitalism, but would also more effectively inform a working class struggle placed within a revolutionary perspective. For these reasons, I will attempt in the next section to explore how the law of value operates on a global level in order to better assess the actual trends of capital at a global level and the real historical prospects of capitalism as a whole.

5. The law of value and the transnational development of capitalism

As Marx has repeatedly pointed out, capital only recognizes barriers which it constantly strives to overcome, but no absolute limits (Marx 1973: 334, 408-410, 539). Internal limits relate to the balance of class struggle and the conditions of profitability and accumulation, while external limits are commonly referring to the social and particularly the natural conditions of production (see Harvey 1982). These external limits are usually associated with national barriers, which capital strives to overcome through international trade and various capital flows. Ample historical evidence indicates, indeed, that capitalism, through international trade, successive shifts in major technologies and/or the utilization of new resources and geographical frontiers, becomes capable of temporarily overcoming these limits, ameliorating material shortages, and rearranging the society-nature metabolism on an ever broader terrain (see Marx 1967 III: 110, 118-119, Burkett 1999: 116, Moore 2000).

Although Marx did not have the time to systematically explore the expanding world market, as he planned to do, by occasionally referring to this issue, he offered some valuable insights which we need to take into account. Referring to international exchange, he points out that

> Two nations may exchange according to the law of profit in such a way that both gain, but one is always defrauded. … One of the nations may continually appropriate for itself a part of the surplus labour of the other, giving back nothing for it in the exchange, except that the measure here [is] not as in the exchange between capitalist and worker (Marx 1973: 872).

In *Capital*, Marx again refers to a mutually beneficial but unequal international exchange (Marx 1967 III: 238). Taking also into account the different forms of production involved, he notes: 'when commodities of this class [produced in spheres of high capital composition] are first produced capitalistically and enter capitalist commerce, they compete with commodities of the same nature produced by pre-capitalist methods and hence dearer' (Marx 1967 III: 907).

The classic debate on 'imperialism' and the relevant debate around the 1970s, concerning imperialism and unequal exchange, have shed additional light on international relations and their impact on capitalist accumulation (see Brewer 1989, Nachtwey and ten Brink 2008). In the early 1970s, A. Emmanuel started 'by using the assumption that seems to me the most realistic possible in the world of today, the assumption that the capital factor is mobile but the labor factor is immobile on the international plane' (Emmanuel 1972: 267), to conclude that wage differentials between countries of differing levels of development determine the uneven development of capitalism on an international level. He concluded, more explicitly, that 'unequal exchange is the *elementary* transfer mechanism, and … as such, it enables the advanced countries to begin and regularly to give new impetus to that *unevenness of development* that sets in motion all the other mechanisms of exploitation and fully explains the way that wealth is distributed' (Emmanuel 1972: 265).

Emmanuel has been extensively criticized for considering wages as an independent variable rather than a variable dependent on the level of accumulation (see Brewer 1989: ch.9). It has been argued further that Emmanuel's weak point is that, by rejecting or downplaying unequal exchange in a broad sense (transfer of value due to differences in productivity and the OCC), he highly abstracts from the actual conditions of production and focuses his analysis on the sphere of distribution and exchange (see Liodakis 1990). As it has been more specifically argued,

> Because Emmanuel's problematic tends to "reduce" the inequality or unevenness of the development of the productive forces to inequality of wage levels, without setting the latter in a law-governed relation with the former, he is also prevented from appreciating the importance for "unequal exchange" itself of the lower organic composition of capital in the economically weakest countries, which is why he rejects the idea of "unequal exchange" in the broad sense (Bettelheim 1972: 285).

Considering the actual process of international trade, as well as other forms of international relations and the role of power in these relations, Bettelheim argues that 'capitalist relations of exploitation are constituted not by relations between "partners in exchange" (and still less by relations between "countries") but by relations between *workers*, on the one hand, and owners of the means of production and exchange, on the other' (Bettelheim 1972: 300-301). It is moreover argued that 'imperialist domination produces effects that go very far beyond the exploitation of the workers of one country by the capitalists of another. …a relative "blocking" of the development of the productive forces in the dominated countries [as] one of the aspects of the uneven development of the productive forces within the capitalist world economy' (Bettelheim 1972: 307). As is also pointed out, 'the draining off toward the metropolitan countries of imperialism of the surplus value extracted from the working people of the dominated countries' is closely related to 'the concrete conditions for the formation of prices on the capitalist world market' (Bettelheim 1972: 315). It is in a similar sense that Amin (2010) speaks of 'imperialist rent'. According to Carchedi

(1991: 263), 'In terms of distribution of value, [economic imperialism] means that there is a built-in transfer of value from dominated to the imperialist bloc'.

Contrary to Emmanuel's 'unequal exchange' argument, A. Shaikh (1979-80) has demonstrated that, governed by the law of value, free international commodity exchange, by itself and independently of any other forms of exchange or international value transfers, implies an increasingly uneven development of capitalism on the international level. Apart from this fundamental determination, one might argue that other forms of international exchange and international value transfers associated with unequal exchange in a broad sense may very well strengthen this unevenness of capitalist development even further (see Shaikh 1979-80, Liodakis 1990). One might also recognize the significance of wage zones, in the sense that 'a wage zone is formed by capital and labour mobility between countries which have reached broadly comparable levels of development' (Carchedi 1991: 243).

As we have already argued, an increasingly transnational accumulation and global integration of capital during recent decades is ushering in an emerging new stage of capitalism that we called *totalitarian capitalism*. Within this context, all circuits of capital (commercial, productive, and financial) are increasingly integrated on a transnational level (see Palloix 1975, Bryan 1995, 2003). At the same time, and largely as a result of the over-accumulation crisis since the early 1970s and the subsequent predomination of neoliberal policies, the deep worldwide restructuring and financialization of capitalism gave a new twist and a renewed and expanded terrain to a transnational accumulation of capital. Although several researchers, by downplaying the significance of financial capital, have seriously underestimated the real dimensions and the dynamic of capitalist globalization, it should be stressed that the so-called 'real economy' and the financial sector are just the two aspects of the same coin. All forms of capital, in various ways, contribute to the reproduction and expansion of capital as a whole. Pointing to this dialectic of the particular forms of capital, Marx stresses that 'Profit-bearing capital is the real capital, value posited as simultaneously self-reproducing and multiplying … Interest-bearing capital is in turn the purely abstract form of profit-bearing capital' (Marx 1973: 878).

The increasing globalization and transnational accumulation of capital has important implications insofar as social classes now tend to be formed on a transnational level, with significant ramifications on the level of power relations and state institutions, but does not eliminate the unevenness of capitalist development (see Bryan 1995, McMichael 2004, Robinson 2004, Dicken 2007, Liodakis 2005, 2010). It may, in fact, even strengthen this tendency towards uneven development. As pointed out, 'Global integration both transcends and at the same time reproduces (national) difference' (Bryan 2003: 60).

It is within this context of globalized capitalism that the law of value operates, and it could be argued indeed that this fundamental law has operated transnationally since the early phases of capitalism. As Carchedi (1991: 234) more specifically stresses, 'any attempt to place the law of value within the framework of modern, oligopolistic capitalism must transcend the national boundaries'. The operation of the law of value crucially hinges around an assumption of a tendential transnational equalization of the rate of profit. As pointed out, 'the question whether the law of value still operates under oligopoly capitalism … is inextricably tied to the question of whether there is a tendential formation of an *international* rate of profit' (Carchedi 1991: 234). There may be considerable profit rate differences across countries and economic sectors, but insofar as a transnational mobility of capital transcends all kinds of barriers, it is a realistic assumption. Capital escapes any barriers or national frontiers to freely flow in order to be invested where it can ensure the greatest cost advantages and the most favourable terms of valorization. Several researchers have argued, on the contrary, that under monopoly capitalism, a putative elimination of competition implies the obsolescence of the law of value. Others have stressed that the existence of different national jurisdictions with different national currencies, or the enormous development differences between countries lead to a serious modification of the law of value (see Nachtwey and ten Brink 2008). The heterogeneity of the material and social conditions of production, according to Bettelheim (1972: 296), 'causes the working of the law of value on the international scale to undergo fundamental transformations'.

Various conditions may indeed imply a certain moderation or modification of the law of value. Marx himself identified the role of landed property and rent as a factor modifying the operation of this law (see Marx 1967 III: 860-61). But apart from all these minor or major modifications, concerning monopoly, landed property, state regulation and imperialist power, differences in currencies, exchange rate policies, institutional structures and levels of development, the law of value still operates. It can be argued indeed that the global domination of the CMP and the real (or universal) subsumption under capital imply the highest and broadest possible operation of this law. Within this highly globalized capitalist context, and at a level of abstraction, it can be conceived that its operation encompasses, not only the valorization of human (labour power) and non-human natural resources and the class-determined relation between production and appropriation of surplus value, but also the allocation of resources through the market and the determination of commodity values and prices. Despite a great ecological and social diversity around the globe, the more or less free flow of capital and the rapid expansion of financial capital in particular imply a certain economic homogenization across countries. As noted, within this context, 'derivatives secure commensuration of value across time and space' (Bryan 2003: 67). Profit-making is still associated to the appropriation of surplus value from labour, 'only now the focus of surplus value appropriation is made within a global calculation' (Ibid.).

This commensuration and economic unification, however, does not imply a more even and balanced development around the globe. As already noted, free trade and other forms of international exchange tend to give rise to an increasingly more uneven development, and this unevenness is further strengthened by various forms of transnational value transfers. Apart from other forms of such transfers, the formation of world values in each particular sector or industry implies a systematic transfer of value from the less to the more productive (efficient) producers within the same industry. Differences between sectors, in terms of degrees of mechanization and the organic composition of capital (OCC) will also tend to imply transnational transfers of value from the producers of a lower to the producers of a higher OCC. A greater concentration and monopolization of capital in the advanced countries, along with other forms of rental payments, may also imply additional value transfers on a global level. As already evident, the law of value is not a purely economic law. Value, as abstract labour, essentially reflects a relation of human and extra-human nature determined by class and power relations, abstracting from the contribution of extra-human nature to the production of social wealth (see Burkett 1999: 80).

This unevenness of capitalist development may be exacerbated further through a dialectic between production and appropriation of surplus value, governed by the law of value, and the specific role of monetary and credit expansion. Apart from direct appropriation in the sphere of production, this dialectic is significantly biased as the process of monetary and credit expansion is largely determined by class power and imperial domination. This determination implies a corresponding and expansive class-based command of a part of already produced commodities, a share of labour and natural resources to be valorized, and a good portion of future surplus value. The relevant problem may be exacerbated even further through the credit-and-debt creation and the servicing of this debt by less developed and indebted countries. These problems, associated with the monetary and credit mechanism, take a particular importance in the case of dominant sovereign currencies, such as the dollar, and in the context of the recently financialized capitalism. Within this context, they may imply a significant modification and tension in the operation of the law of value, while the overexpansion of fictitious capital undoubtedly constitutes a cause of crisis for capitalism itself.

Apart from this tension, there are also other, and perhaps more fundamental tensions in the operation of the law of value, which include: (a) the rapid socialization of production (on a global scale) and the increasing significance of mental labour and the general intellect, which imply that the privately organized direct labour in production is no longer an accurate approximation of the quantity of wealth (use values) produced (see Burkett 1999: 187-88, 192-93; cf. Carchedi 2011a: 32-36), (b) the growing difficulties faced by an expansive protection of property rights (especially intellectual property rights – IPRs), and (c) the growing challenges facing alienated property and wage labour. Struggle to transcend wage labour may imply revolutionary cracks and a movement beyond capitalism (see Holloway 2010), which would mean a supersession also of the law of value.

Although, in analyzing the operation of the law of value at a more or less abstract level, we have essentially assumed an exclusively and fully developed capitalist world economy, we need to proceed to a more concrete consideration of the operation of this law, taking into account the great diversity of the world economy, all sorts of modifications of the law itself, the implications of an expanding and deepening process of primitive accumulation on a world level, and the diversity of particular forms of labour. And though several authors have taken a restrictive approach to the operation of the law of value, presupposing a purely capitalist development and an exclusive prevalence of free wage labour, there is a need to inclusively consider all forms of labour insofar as they are articulated within the world economy and broadly subsumed under capital. At this level, a broad value-theoretical approach may usefully inform a better understanding of the relations between paid and unpaid labour, such as domestic labour and other forms of 'un-free' labour (see Milonakis 1995, Banaji 2003, van der Linden 2008, Varela 2010, Dunn 2011). As pointed out in this regard, 'If workers of similar attributes sell their labor-power in the market, it is irrelevant to capital how this was produced, whether in a hypothetical world of pure commodity production and consumption or to a greater or lesser extent through domestic labor' (Dunn 2011: 502). Value, in this sense, can be considered as 'a reflection of the social equivalence of different forms of work that becomes epitomized in, but is not confined to, the money economy under capitalism'. As argued, then, 'only by recognizing the similarities and interactions, as well as the differences, between various forms of labours can Marxists begin to decipher the contradictory dynamics of the concrete capitalist economy' (Dunn 2011: 503). No doubt, such a concrete approach allows an analysis of how the law of value operates at a more abstract level, and this abstract analysis, in turn, can provide the basis for a more profound comprehension and theoretical reproduction of the concrete reality of world capitalism.

It is within this world economic context and the dialectic between an abstract and a more concrete conception of the operation of the law of value that we can effectively explore the implications of the more specific law concerning the TRPF. As the cost of labour power is largely determined on a transnational level and particular state policies are extensively orchestrated through international Organizations and various coordination programs, the rate of exploitation may vary, but will most likely tend to converge insofar as it is transnationally determined on a competitive basis.

Despite great differences in terms of economic and technological development, capital mobility and technological competition on a transnational level may also allow international or regional differences in terms of the OCC, but will most likely converge towards a secular increase of this composition. The de-valorization or destruction of capital, as a result of the unfolding crisis, drastic technological developments, wars and environmental catastrophes, tends also to affect, even if differently, the OCC in most countries and on a transnational level. The expanded exploitation or the depletion of natural resources, including energy sources, may also significantly affect both the cost of labour reproduction and the OCC, contributing thus to the final determination of profit rates.

As it becomes evident from above, it may still be necessary to explore the economic conjuncture, the conditions of valorization and the prospects of capital in particular national contexts, and then to examine the relationships between presumably separate ‘national economies’, or search for any trends towards a synchronization or divergence of national cycles or a potential counter-balancing between countries (or centres of accumulation), with one country or region with a robust accumulation functioning perhaps as a locomotive pulling out other countries or regions plunged in an accumulation slump. Under present conditions, however, it is far more relevant and imperative to explore the general conjuncture, the long-run trends of profitability, and the socioeconomic prospects of world capitalism as a whole. The ‘national economy’ as a relatively autonomous socioeconomic entity, if it ever had some relevance, is now waning within a rapidly globalizing economy, while the world economy is much more than the sum of its parts, that is of national economies. As indicated by the rapid transnational flows of capital (of various forms) and the rapid spread of financial and economic crisis around the globe, we are now living in a much more interdependent world. There is a need, therefore, to directly explore the world economy as a whole in order to better assess the real prospects of world capitalism. To this end, and apart from other statistics regarding the world economy, it might be useful, for instance, to estimate and keep a historical record of a weighted average rate of profit for world capitalism as a whole, or a weighted average rate of profit concerning the one hundred largest TNCs. Such evidence would be very relevant for exploring the crisis, the potential cyclical fluctuations, the secular trends and the prospects of world capitalism.

As already noted, the evidence available so far indicates that capitalism has largely run out of steam as it has exhausted most of its reserves. The utilization of science and modern technologies, the global expansion of capital, the rapid increase in labour exploitation mainly through neoliberal austerity policies, the overexpansion of credit, the destructive implications of regional wars, the capitalization of nature and plundering of natural resources have so far functioned as counteracting processes, relaxing the pressure on profit rates (the TRPF) and alleviating or displacing (in time and space) economic crisis. All these processes, however, have more or less outrun their limits. The chances of renewed further reserves are slim and at a much higher cost (see Araghi 2010). The evidence provided in the relevant literature indicates that, for most countries and hence for capitalism as a whole, there is a secular decline of the average profit rate, associated mainly with a secular increase in the OCC. Since the early 1970s, there is also a secular decline of growth rates, despite temporary fluctuations, along with declining trends in investment and increasing rates of unemployment and poverty. The 'great recession', which constitutes a culmination of the long over-accumulation crisis, has hit more the developed countries. In 2009, world trade declined by -13.4% and output by -2.1%. For developed countries, output declined by -3.6% (UNCTAD 2011). After this deepest recession since World War II, extensive and globally coordinated stimulus policies may have rescued most economies from the brink of collapse, but the great risk and fragility of the global economy is far from over.

Despite intensified competition, the increasing financialization in recent decades tends to undermine capitalism's productive forces, exacerbating thus its parasitic character. At the same time, the increasing globalization and financial deregulation have led to increasing global imbalances, which in turn imply fiscal crises, severe sovereign debt crises and exhaustive austerity policies, not only in less developed, but also in several developed countries (see Weeks 2003, Carchedi 2011b, UNCTAD 2011). Some even developed countries face an immediate risk of default.

Along with all these manifestations of crisis, the enclosure and exhaustive exploitation of capitalism's last reserves since the 1970s, a significant exhaustion of nature's 'free gifts' (Marx 1967 III: 745), the peak of energy sources, and the dramatic climatic change imply a serious exacerbation of a *socio-ecological crisis* which undermines capitalism's sustainability in the long-run (see Liodakis 2010a). A consideration of this aggravated and multidimensional crisis within a world-historic ecological perspective suggests that capitalism currently faces an epochal shift (Moore 2011a, 2011b), and the question arising is whether a sufficiently strong social movement could grab the opportunity for its historical supersession.

6. Theoretical and social prospects

The main implications of the preceding exploration regarding the transformation, crisis, and long-run prospects of world capitalism can be considered in two major areas.

On a theoretical level, it has been shown that a value-theoretical approach can serve as a unifying framework for understanding the inner determinations and contradictions underlying apparently discrete transformations of the world economy. And as I have argued, in the era of an increasingly globalized capitalism, there are good reasons to suggest a shift of research efforts towards an exploration of world capitalism as a whole. A specific analysis of the law of value on a global level has allowed an illuminating exploration of the development patterns, the internal or external contradictions and limits of capital, as well as of the currently unfolding crisis and the historical prospects of capitalism. Within this framework, the transformation and global expansion of capital can be considered as both a consequence and a means for an at least partial resolution of crisis. Crisis itself can be seen, not as an overshooting of some absolute limits, in a neo-Malthusian sense, but rather as a relational crisis associated with the potential of surplus extraction and the appropriation of nature. Confronted with a currently exacerbated and historically unprecedented crisis, the crucial question arising is whether capitalism will be capable, through technological change and organizational transformations, of regenerating a sufficient ecological surplus (cheap labour, food, energy and raw materials) to ensure a satisfactory profitability and a new surge in the accumulation of capital, providing thus the material basis for an emergent new stage of capitalism. As our analysis and the evidence available tend to assert, the appropriative strategy of accumulation during recent decades has largely exhausted all cheap resources and the relevant limits reached this time may indeed be insuperable. Overcoming the present and perhaps historical crisis may require a more fundamental social change, encompassing not only a supersession of the CMP, but also an attentive civilizational revolution and a radically different social rationality.

The globalized character of world capitalism and the epochal character of the current crisis have also crucial implications for the political and social changes required. Partial reforms of capitalism, according to all evidence, will not be enough. The socio-political changes required will rather take a world-historical character, and the preconditions and political agents for these changes may arise within the transnationalized context of existing capitalism. Within this context, the socialization of production, the transnational formation of social classes and the emerging transnational state imply an imperative of searching for a transnational working class strategy for the disruption of the existing world order and the emancipation of the working class and humanity at large (see Lebowitz 2011, Liodakis 2012, Selwyn 2012), while allowing for social or ecological diversity on a local, national or regional level.

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