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Marx's Crisis Theory as a Theory of World Market Crisis[1]

1. Introduction

The argument that excessive, neoliberal or financial globalization caused the global economic crisis of 2007-9 seems to have become a conventional wisdom for progressives. For example, Gills argued: "'Globalization', as expressed through capital logic, neoliberalism, and (decaying) American hegemony, has inexorably brought about the present global crisis" (Gills, 2010b: 284).[2] People who share this perspective also suggest social or state control of globalization as the prescription for the current crisis.

However, the thesis that globalization caused the crisis is questionable in the following respects.

First, while globalization can be related to the crisis, it is problematic to assume that the globalization is a phenomenon of the specific stage of capitalist development, because capitalism is not a national or regional phenomenon but a global tendency from the start. As Bonefeld indicated, "the contradiction

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[2] Gills repeated same argument in other paper as follows: "Since the end of the great postwar economic boom circa 1967-68, there has been a tendency for crises to become more frequent, more systematically and globally endemic, and gradually more severe and damaging, as well as more inter-dependent and synchronized, ultimately culminating in the present level of systemic risk and instability"(Gills, 2010a: 5). Thompson (2010) and Özgür and Özel (2010) also take the same position.

between the global character of capitalist accumulation and the national form of the state is not a new phenomenon but, rather, a characteristic of capitalism since its inception" (Bonefeld, 2002). In fact, not just the current global economic crisis, or the Great Depression in the 1930s but the crisis in the 19th century 'industrial capitalism' was also a global crisis in its true sense of the word, or 'world market crisis' à la Marx.

Second, this perspective over-simplifies the over-determined causal relation between globalization and crisis. As Marx considered foreign trade as a counteracting force to the tendency of the falling rate of profit, globalization is not so much the cause of but a reaction to the crisis by capital and state. Indeed, the globalization of the 1990s can be viewed as the capitalist response to the long downswing or structural crisis existing since the 1970s (Brenner, 2006; 2009).

Third, this perspective tends to lead to reformist politics by assuming that the cause of the crisis resides in the specific form of capitalism, in other words, deregulated neoliberal financialized capitalism, not in the capitalist system itself.

This paper conceives of globalization and crisis as inherent tendencies of capitalism and tries to theorize the relation between them by applying and developing Marx's theory of world market crisis.

According to Marx's Plan of Critique of Political Economy, which Marx first adumbrated in his *Grundrisse* during 1857-58, crisis would be discussed in a final separate book, Book VI of the second half [IV State; V Foreign Trade; VI World Market Crisis], as the theory of world market crisis. However, the majority of Marxist scholars after Marx have not put much importance in the second half of Marx's *Plan*[3], especially Book VI, which was no more than just a trial sketch. Indeed, in the history of the debates on Marxist crisis theories since the late 19th century, Marx's last planned book, has not been given due attention in any major interpretations, e.g. underconsumptionism, disproportionality, or the falling rate of profit. Existing Marxist crisis theories tend to be theorized in terms of 'one-country' crisis, marginalizing the global dimension of the crisis, regardless of the furious debates among scholars.[4] Indeed, even confronting the current global economic crisis, the world market crisis *par excellence*, most of the representative Marxist studies, such as Du-

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3 Marx's Plan of Critique of Political Economy, first announced in his *Grundrisse*, will be abbreviated and referred just as *Plan* in this paper.

4 As for the excellent reviews of competing interpretations of Marx's crisis theories, refer to Clarke (1994: 2002).

ménil and Lévy (2011), Shaikh (2011), Mohun (2012), or Kliman (2012a), still take the 'one-country' model, especially the U.S., as their unit of analysis. Analyzing the capitalist crisis as a 'crisis in one country' may be excused, considering that the main statistical data, especially the national accounts required for a Marxist empirical analysis of the crisis, are compiled on a national basis.[5]

Hence, it is all the more remarkable that a small number of Marxist scholars have recognized the importance of Marx's concept of world market crisis, or the global dimension of the crisis, against the predominant 'one-country' approaches in existing Marxist crisis theories. For example, some serious works on Marx's *Plan*, including its 'second half' and world market crisis, were produced by Japanese scholars of Marx's theory of international value before WW2[6] and West German 'Kapital-Logikers' during the 'world market debates' in the 1970s.[7] However, the majority of Japanese Marxist economists tended to disregard the theoretical significance of Marx's concept of world market crisis, no matter which of the two pre-WW2 contending tendencies they adhered to, e.g. 'Kozaha' (literally, 'Lecture Faction') or 'Ronoha' (literally 'Ronoha Faction'). In West Germany, the rapid marginalization of Marxist academics as a whole after the demise of 'Communism' ended the 'Kapital-Logikers' project for the reconstruction of theories of imperialism and crisis on the basis of the world market movement of capital (Nachtwey and Brink, 2008: 37).

However, there is a renewed attention to Marx's theory of world market crisis with the deepening global economic crisis as globalization advances after the 1990s. For example, Brenner(2006) is a remarkable work that concretizes Marx's theory of world market crisis, though it is not explicitly referred to. Arrighi(2010), which explains the history of world capitalism in the prism of long cycles on a world scale, seems to be consonant with Marx's theory of world market crisis, despite not mentioning it. Negri also recognizes

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5 As for the discussion of the limitations of the existing national accounts compiled on a country basis for studying global capital accumulation, refer to Bryan (2001).

6 For example, Kruma Samezo argued that Marx's crisis theory can be adequately developed on a world market level in 1930 [Refer to Kuruma (1930)] Although Kuruma himself did not publish works concretizing Marx's theory of world market crisis, he did put great importance on that task, as is shown his allocation of almost a whole volume to the topic of 'world market crisis' in his Marx-Lexicon. As for the studies on Marx's world market crisis, refer to Matsui (1970), Karado (1979), Muraoka (1976; 1998).

7 As for the representative participants in the West German debates on world market in the early 1970s, refer to C. Neusüss, K. Busch, C. von Braunmühl, and for the recent review on thes debates, refer to Nachtwey and Brink (2008).

the central importance of Marx's concept of world market crisis with his Autonomist reading of *Grundrisse*. More recently, Open Marxist or Hegelian Marxist critiques of the discourses of globalization, such as Bonefeld and Smith,[8] have utilized Marxian categories of world market crisis. Also, serious studies on the theories of Marx's world market began to be produced after the global economic crisis of 2007-9, like Jessop (2012) or Gimm (2012).[9]

Why has Marx's theory of world market crisis, which Marx himself planned as the conclusion or finale of his whole life-time works, so long been marginalized or forgotten in the history of Marxist economics? The following circumstances seem to be related.

First, many scholars imagined that Marx abandoned his *Plan* of 1857-58 after he wrote *Grundrisse,* when he prepared the manuscripts of *Capital* during 1861-63. In other words, it is alleged that Marx himself abandoned the plan to write a separate book on world market crisis.

Second, competing interpretations on whether Marx kept, changed or discarded the *Plan* mostly concurred on the point that Marx's theory of world market crisis cannot be theorized on the same high level of abstraction as *Capital* – that is, the level of 'principles' – but must be described on a more concrete level of abstraction: the level of 'stage theory', or 'empirical analysis', taking competition, state and foreign trade into consideration.

Third, even the scholars who assumed that Marx never changed his *Plan* and thought that Marxian theory of world market crisis can be constructed on the same level of abstraction or 'principles' by the 'logical progression' of the categories of *Capital,* mostly did not extend Marxian crisis theory to the field of the 'second half' of the *Plan,* considering the issues of state, foreign trade and world market. Instead, they tended to stop the project of extension at the threshold of the 'first half' of the *Plan*, introducing only the issues of competition and credit.

This paper assumes that Marx did change the original *Plan* of 1857-58 when he prepared the manuscripts of *Capital* during 1861-63. However, this paper also assumes that Marx did not discard his original *Plan in toto*, especially the plan to locate the book on the world market crisis at the final culminating place in his *Plan*. This paper attempts to support the above hypothesis by reconstructing Marx's theory of world market crisis, based on Marx's discussions, fragmented in *Capital* and its manuscripts, especially his own analysis of the crisis of 1857.

8 For example, refer to Negri (1984), Bonefeld (2006), Smith (2006).
9 For example, refer to Jessop (2010; 2012), Gimm (2012).

Section 2 will examine Marx's *Plan*, focusing on its 'second half' and the category of world market crisis.

Section 3 re-reads Marx's own analysis of the crisis of 1857, to show that Marx himself always discussed the real crisis within the paradigm of world market crisis.

Section 4 attempts to theorize a Marxian theory of world market crisis by extending Marx's discussion of the falling rate of profit and the contradictions of real capital and money capital in Parts III and V of Volume Three of *Capital* to a global scale. It gives explicit consideration to the categories of 'second half' of *Plan* as well as money, credit, etc. and applies it to the explanation of the current global economic crisis.[10]

2. The Second Half of Marx's Plan of Critique of Political Economy and World Market Crisis

2.1. The Second Half of Marx's Plan of Critique of Political Economy

Marx's Plan of Critique of Political Economy had originally been adumbrated in *Grundrisse* of 1857-58, published in his *Contributions to the Critique of Political Economy* in 1859 and included in various versions of manuscripts for *Capital* and letters, until the publication of Volume One of *Capital*, with some changes and revisions. However, representative versions of the *Plan* are as follows:

> [Plan A] "The order obviously has to be (1) the general, abstract determinants which obtain in more or less all forms of society, but above-explained sense. (2) the categories which make up the inner structure of bourgeois society and on which the fundamental classes rest. Capital, wage labor, landed property. Their inter-relation. Town and country. The three great social classes. Exchange between them. Circulation. Credit system (private). (3) **Concentration of bourgeois society in the form of the state**. Viewed in relation to itself. The 'unproductive' classes. Taxes. State debt. Public credit. The population. The colonies. Emigration. (4) The international relation of production. International division of labor. International exchange. Export and import. Rate of Exchange. (5) **The world market and crises (Der Weltmarkt und die Krisen)**" (Marx, 1973: 108. my emphasis).

> [Plan B] "In this first section, where exchange values, money, prices are looked at, commodities always appear as already present. … But by itself, it [the directly available world of commodities] points beyond itself towards the economic relations which are posited as *relations of production*. The internal structure of production therefore forms the second section; the concentration of the whole in the

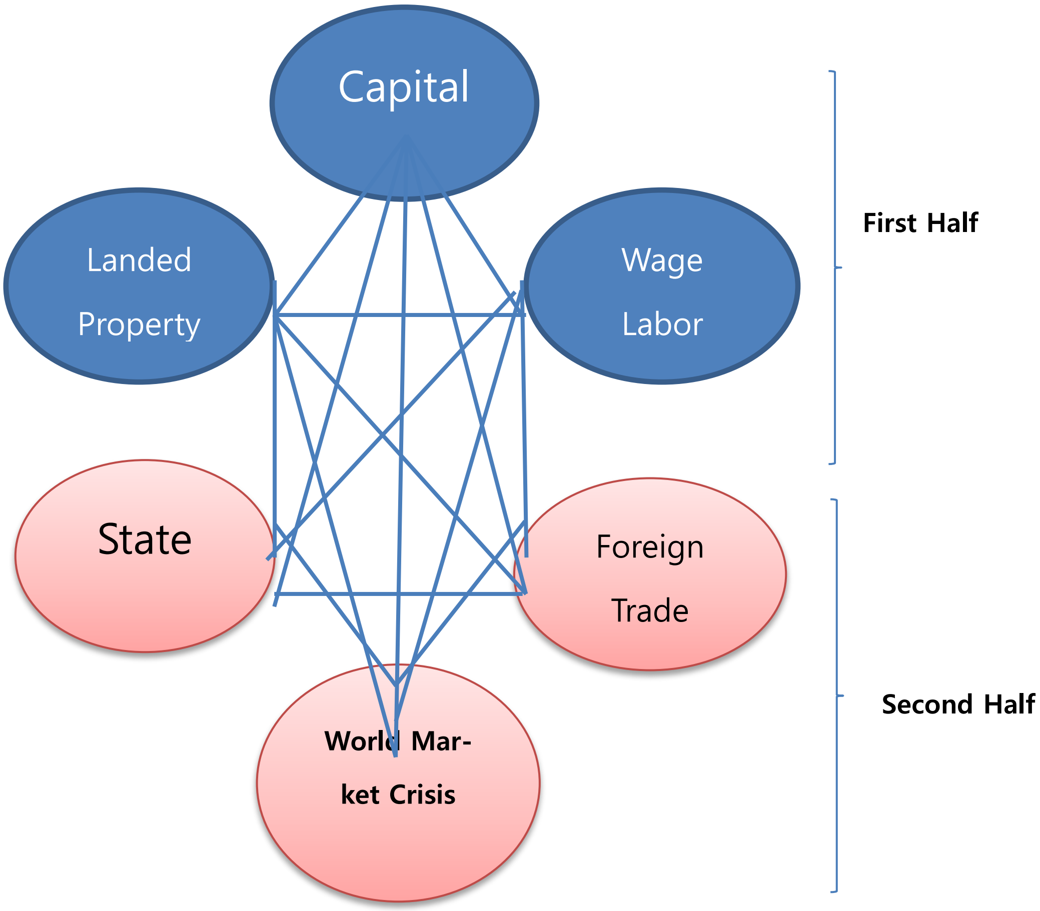
[10] This paper is an attempt to concretize the author's methodological remarks for studying the relation between globalization and change in the accumulation system and class structure based on the 'second half' of Marx's *Plan*, as was suggested in Jeong (2010), regarding the topic of crisis.

state the third; the international relations the fourth; **the world market the conclusion**, in which production is posited as a totality together with all its moments, but within which, at the same time, **all contradictions come into play**. The **world market** then, again, forms the presupposition of the whole as well as its substratum. **Crises** are then the general intimation which points beyond the presupposition, and the urge which drives towards the adoption of a new historic form" (Marx, 1973: 227-228. Marx's italic and my emphasis).

[Plan C] "I. (1) General concept of capital. - (2) Particularity of capital: circulating capital, fixed capital. (Capital as the necessaries of life, as raw material, as instrument of labor.) (3) Capital as money. II. (1) *Quantity of capital. Accumulation*. (2) *Capital as measured by itself. Profit. Interest. Value of capital*: i.e. capital as distinct from itself as interest and profit. (3) *The circulation of capitals*. (α) Exchange of capital and capital. Exchange of capital and revenue. Capital and *prices*. (β) *Competition of capitals*. (γ) *Concentration of capitals*. III. Capital as credit. IV. Capital as share capital. V. *Capital as money market*. VI. Capital as source of wealth. The capitalist. After capital, landed property would be dealt with. After that, wage labor. All three presupposed, the *movement of prices*, as circulation now defined in its inner totality. On the other side, the three classes, as production posited in its three basic forms and presupposition of circulation. Then the *state*. (State and bourgeois society. – Taxes, or the existence of the unproductive classes – The state debt. – Population. – **The state externally**: colonies. External trade. Rate of exchange. - **Finally the world market**. Encroachment of bourgeois society over the state. **Crises.** Dissolution of the mode of production and form of society based on exchange value. Real positing of individual labor as social and vice versa" (Marx, 1973: 264. Marx's italic and my emphasis).

[Plan D] "I examine the system of bourgeois economy in the following order: *capital, landed property, wage-labor; the State, foreign trade, world market*. The economic conditions of existence of the three great classes into which modern bourgeois society is divided are analyzed under the first three headings: the interconnection of the other three headings is self-evident. The first part of the first book, dealing with Capital, comprises the following chapters: 1. The commodity; 2. Money or simple circulation; 3. Capital in general. The present part consists of the first two chapters" (Marx, 1987b: 261. Marx's italics).

Figure 1: Marx's Plan of Critique of Political Economy and World Market Crisis



Of these four variants of the *Plan*, three of them –that is, [Plan A], [Plan B] and [Plan C] – all included in *Grundrisse*, written in the interval of two months, attempted to directly relate the world market and crisis and located that relationship as the culmination of the *Plan*. It is also notable that the state was conceived as the "concentration of bourgeois society in the form of the state" in [Plan A], while it was viewed "externally" in [Plan C]. The state was to be theorized on two different levels of abstraction: "state in general" on the one hand, and "state externally" or "many states", or "state vs state", on the other (Muraoka, 1985a: 124).

Not only in *Grundrisse* but also in his mature works like *Capital*, Marx attempted to explain the topics of world market crisis at the level of abstraction of 'capital in general'. For example, in Chapter Six 'The Effects of Price Change' of Volume Three of *Capital*, Marx suggested a methodological plan for world market as follows:

> "The phenomena under investigation in this chapter assume for their full development the credit system and competition on **the world market, the latter being**

> **the very basis and living atmosphere of the capitalist mode of production**. These concrete forms of capitalist production, however, can be comprehensively depicted **only after the general nature of capital is understood**; it is therefore outside the scope of this work to present them – they belong to a possible continuation" (Marx, 1981: 205. My emphasis)

Marx also said as follows in his letter to Kugelmann dated on 28 December 1862, while he wrote the manuscripts for *Capital*:

> "It is a sequel to Part I, but will appear on its own under the title *Capital*, with *A Contribution to the Critique of Political Economy* as merely the subtitle. In fact, all it comprises is what was to make the third chapter of the first part, namely 'Capital in General'. Hence it includes neither the competition between capitals nor the credit system. What Englishmen call 'THE PRINCIPLES OF POLITICAL ECONOMY' is contained in this volume. It is the quintessence (together with the first part), and **the development of the sequel** (with the exception, perhaps, of the relationship between the various forms of state and the various economic structure of society) could easily be pursued by others **on the basis thus provided**" (Marx, 1985: 435. My emphasis).

Marx's above remarks show that he planned to write the 'second half', composed of state, foreign trade and world market crisis, "**on the basis thus provided**": in other words, as a 'logical progression' or concretization of the 'first half', composed of capital, landed property and wage labor. Marxist theoreticians after Marx should have followed and developed Marx's above remarks. However, most existing Marxist theories, including Lenin's *Imperialism* and Stalinist textbooks of political economy, tended to regard Marx's 'second half' as the objects of a qualitatively different level of abstraction, namely 'stage theory' or 'empirical analysis', rather than the objects of 'logical progression' of the 'first half'. As a result, the theoretical significance of Marx's 'second half' has been marginalized in the existing Marxist theories of modern capitalism (Nachtwey and Brink, 2008).[11] Unoists do not differ from Stalinists' theory of state monopoly capitalism in relegating the 'second half' of Marx's *Plan* to the object of 'stage theory' or 'empirical analysis'. Indeed, Uno Kozo himself argued that theories of state or international relations, including exchanges with non-capitalist spheres, are external to the theory of 'principles' and therefore should be studied at the 'stage theory' level of abstraction. Uno also asserted that Marx's *Plan* is problematic because it conflates the distinction between the 'principle' and 'stage theory' (Uno, 1962: 3-64).

[11] "The target of Marx's categories of 'world market' or the 'second half', which has been believed to be presumed in Lenin's *Imperialism*, is actually far more grandiose than *Imperialism*, considering Marx's own writings on these categories. It is also obvious from the fact while Marx's final category of the 'second half' is 'world market and crisis', *Imperialism* simply lacks of it" (Muraoka, 1985b: 301).

However, Uno's above assertion is groundless, considering the fact that Marx himself theorized the modification of the law of value in the world market on the abstraction level of 'principles' even in his most mature work, Volume One of *Capital*, Chapter 22 'National Differences in Wages'.

2.2. Marx's Concept of World Market and Theory of International Value

Although Marx frequently used the concept 'world market' in many of his works, he did not give an explicit definition of it. Hence the contending interpretations of the concept: some argue that it is same as the summation of multiple national markets or national economies, while others argue that it is a complex totality covering internal as well as international circulations, different from the simple summation of national markets. Related to this issue, some assert that the object of Marx's *Capital* is the national economy, while others argue that it is capitalist society as an abstraction of world market.

However, consider Marx's following sentences in *Grundrisse*: "**Finally the world market. Encroachment of bourgeois society over the state**" (Marx, 1973: 264. My emphasis), "… world market … is not only the internal market in relation to all foreign markets as, in turn, components of the home market"(Marx, 1973: 280), or following remarks in Chapter 22, Volume One of *Capital*, 'National Differences in Wages', "**world market, whose integral parts are the individual countries**" (Marx, 1976: 702. My emphasis). These statements show that Marx regarded world market not just as a simple summation of national economies but as a separate entity.[12] Marx did not conceive national economies as autonomous moving entities or put them on the abstraction level of *Capital*.

Marx thought that capitalism is characterized by 'the global' as well as 'the national', which is concentrated in the state form. Marx's conception of capitalism as a global system was not unique to his works at his early or middle

[12] Consider von Braunmühl's following remarks during the West German debates on the world market in the 1970s, "The world market is not constituted by many national economies concentrated together, rather the world market is organized in the form of many national economies as its integral components"(von Braunmühl, 1978: 162). Or, consider Bonefeld's following interpretation, "world market is not the sum of many states and their 'national economies', but that it is instead the condition through which exists the inter-national relations between states"(Bonefeld, 2006: 50) Both are correct. Muraoka is also right when he said, "It should be indicated that the dichotomy between the national economy and world economy cannot be sustained. World market is not just a simple summation of national economies. If we talk about the national economies, the world market is already presumed as the background of them and if we talk about the world economy, it already includes the fact that its inner localities have their own relative autonomies as national economies" (Muraoka, 1985b: 267).

ages, like *The Communist Manifesto*, *The German Ideology*, or *Grundrisse*, but it remained central to his mature works, especially *Capital*. Marx's thoughts are different from Uno's or Kinoshita's, where capitalism is viewed to be self-contained within the nation-state form. Marx's *Capital* is the theory of the market in general as the abstraction of world market, with no border of national economy (Sasaki, 1985: 325).

> "The tendency to create the *world market* is directly given in the concept of capital itself. Every limit appears as a barrier to be overcome" (Marx, 1973: 408. Marx's italic)

Marx concretized the capitalist world market on the level of domestic circulation as well as that of international circulation through the mediation of the national labor market. Marx conceived the world market as the complex one covering the national as well as the international market among nations. According to Muraoka, Marx's world market is defined as "the market where the localities are subsumed in the 'nation state' as well as organized as 'national economies'", or, "the market where the circulations of commodities and money are developed as the 'world commerce' on a world scale, with the domestic circulation of world money with national clothes, while the labor markets remain national due to the restrictions of migration of labor across the border by the nation states" (Muraoka, 2009: 142).

In other words, "The world market is posed as the 'categorical imperative' of capitalist production within national borders, between national borders and beyond national borders. … The world market is not the sum of distinct national economies. Nor is it a recent force that has undermined the integrity of national economies. Such 'integrity' never existed inasmuch as the world market is the 'categorical imperative' of 'national economies'"(Bonefeld, 2006: 50, 53).

In *Theories of Surplus Value*, Marx said that the basic categories of the capitalist mode of production, such as value and abstract labor, can get their full meaning only on the basis of world market:

> But it is only foreign trade, the development of the market to a world market, which causes money to develop into world money and *abstract labor* into social labor. Abstract wealth, value, money, hence *abstract labor*, develop in the measure that concrete labor becomes a totality of different modes of labor embracing the world market. Capitalist production rests on the *value* or the transformation of the labor embodied in the product into social labor. **But this is only [possible] on the basis of foreign trade and of the world market**. This is at once the precondition and the result of capitalist production (Marx, 1972: 253. Marx's italic and my emphasis).

On the world market, national capitals export and import their commodities at world market prices (or, more correctly, international market value prices) but purchase labor power at their wages (or national value of labor power) on their nationally organized labor market. This implies that surplus labor is exploited and the rate of exploitation is determined on a national level. In other words, on a world market "all commodities except labor power are purchased (M-Pm) and sold (C'-M') at their world market prices through 'world trade'. The point is that the prices are world market prices" (Muraoka, 1985a: 141).

If the world market exists as a distinct entity, the concept of international value also has its social reality as the 'world labor' beyond the exchange ratios of national labor or the relation between national values: "the commodities and services that the individuals produce can have their use values in so far as they are useful to others on a world market, and they can become values as long as the globally necessary amount of abstract human labor are congealed in them" (Muraoka, 1997: 379).

Marx assumed the coexistence of multiple national rates of profit on the world market, while admitting that the world market, rather than being an unchanged fixed entity, tends to extend and deepen with the development of capitalism. In Chapter 8 of Volume Three of *Capital*, 'Different Composition of Capital in Different Branches of Production, and the Resulting Variation in Rates of Profit', he wrote:

> "This is particularly important when the rates of profit in different countries are compared with one another. In a European country the rate of surplus-value might be 100 per cent, i.e. the worker might work half the day for himself and half the day for his employer; in an Asian country it might be 25 per cent, i.e. the worker might work four-fifths of the day for himself and one-fifth of the day for his employer. In the European country, however, the composition of the national capital might be 84c+16v, and in the Asian country, where little machinery, etc. is used and relatively little raw material productively consumed in a given period of time, the composition might be 16c+84v. We then have the following calculation: In the European country, the value of the product=84c+16v+16s=116; rate of profit=16/100=16 per cent. In the Asian country, the value of the product=16c+84v+21s=121; rate of profit=21/100=21 per cent. The rate of profit in the Asian country would thus be some 25 per cent higher than in the European country, even though the rate of surplus-value was only a fourth as great. Carey, Bastiat and their like would draw precisely the opposite conclusion" (Marx, 1981: 249-250).

Whether Marx thought that the sphere of equalization of the profit rate can be extended to the world market beyond a national economy is not clear. The above-quoted sentences suggest that Marx regarded the "coexistence of multiple national rates of profit" (Muraoka, 2009: 144) as a structural characteristic of the capitalist world market. Indeed, Marx commented in Chapter 14 of Volume Three of *Capital*, 'Counteracting Factors', as follows:

> "Now there is no reason why the higher rates of profit that capital invested in certain branches yields in this way, and brings home to its country of origin, should

> not enter into the **equalization of the general rate of profit** and hence raise this in due proportion, unless monopolies stand in the way" (Marx, 1981: 345. My emphasis).

When Marx said in the above sentences that the general rate of profit rises by the remittance of profits through the export of capital, he defined the general rate of profit as that of the capital-exporting country, not the global rate of profit. As Muraoka commented, "foreign direct investment is already considered when Marx assumed that national rates of profit are different" (Muraoka, 1985b: 282). In other words, the above-quoted Marx sentences are alleged to show that Marx confined the sphere of equalization of profit rates to the boundary of a national economy.[13]

Indeed, the majority position in Marxist theories of international value is the same as the above interpretation: the equalization of the profit rate operates only within a national economy; multiple different rates of profit coexist on the world market; international prices of production based on the international equalization of rates of profit cannot be determined on the world market; only international market value operates on the world market.[14]

In contrast, Henryk Grossmann regarded the differences in the national rates of profit as the state of before-equilibrium, which necessitates the international movement of national capitals, and the tendency of international equalization of national rates of profit, resulting in the formation of international prices of production and the related international transfer of values, as the equilibrium state.[15]

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[13] Also refer to following Marx's sentenced in *Theories of Surplus Value*: "In itself, the assumption that variations in the price of wages in England, for instance, would alter the cost price of gold in California where wages have not risen, is utterly absurd. The leveling-out of *values* by labor-time and even less the leveling-out of *cost-prices* by a general rate of profit does not take place in this distinct form between different countries" (Marx, 1968: 201. Marx's italic).

[14] For example, not only Kinoshita or Muraoka, but also Nakagawa(2002c) who emphasized the actuality of 'world labor' or 'world value', or Bush and Neususs in the West German debates on the world market in the 1970s, and Milios and Sotiropoulos(2009), who recently emphasized the significance of Marxian theory of international value, all deny the reality of the category of international prices of production.

[15] After quoting Marx's sentences on the differences in the rate of profit in Asia (21%) and in Europe (16%), Grossman commented as follows: "International trade is not based on an exchange of equivalents because, as on the national market, there is a tendency for rates of profit to be equalized. The commodities of the advanced capitalist country with the higher organic composition will therefore be sold at prices of production higher than value; those of the backward country at prices of production lower than value. This would mean the formation of an average rate of profit of 18.5 per cent so that European commodities will sell for a price of 118.5 instead of 116" (Grossmann, 1992: 170).

This paper agrees with Grossmann's interpretation and assumes that the tendency for national rates of profit to equalize on a world scale, and the related formation of international prices of production, are as much as inherent to the capitalist world market as the tendency towards multiple or 'many states'. This paper assumes that Marx did not exclude the tendency of the formation of the international average rate of profit and the international price of production as a result.

Although the theory of the international price of production was originally constructed by Grossmann in his seminal work *Law of Accumulation and the Breakdown of the Capitalist System* (Grossmann, 1992) in 1929, and extended by Emmanuel (1972) in 1969, it remains the minority view in the debates on Marxian international value theory. However, recently the theory of the international price of production has found supporters in a wide variety of scholars, such as Carchedi (1991), a TSSI theorist, Negri (1984), an Autonomist, and Bonefeld (2006), an Open Marxist.

Jeong (1984) summarized the debates on Marxian international value as the debates between the theories of mediated international value, unmediated international value and the international price of production. Jeong (1984) argued that the reality of international value has progressed in the order of 'mediated international value' → 'unmediated international value' → 'international price of production', with the historical development of global capitalism.[16]

Indeed, Marx's sentences in Chapter 20 of Volume Three of *Capital*, 'Historical Material on Merchant's Capital', show that Marx admitted the tendency of formation of international equalization of rates of profits and international prices of production: "The industrial capitalist is constantly faced with the world market; he compares and must compare his own cost prices not only with domestic market prices, but with those of the whole world"(Marx, 1981: 455).[17]

Marx also mentioned in *Theories of Surplus Value* the following:

> "... where commercial speculations figure from the start and production is intended for the world market, the capitalist mode of production exists … So long as these conditions endure, nothing will stand in the way of cost-price regulating market-value" (Marx, 1968: 302-3).

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[16] As for the recent discussion of Marxian international value, refer to Jeong (2006), Lee (2008), Nakagawa (1999; 2000; 2002a; 2002b; 2002c).

[17] These sentences from *Capital* Volume Three seem to be copied from the following sentences of *Theories of Surplus Value*: "The industrial capitalist faces the world market; [he] therefore compares and must constantly compare his own cost-prices with market prices not only at home, but also on the whole market of the world" (Marx, 1972: 470).

2.3. Marx's Plan of Critique of Political Economy and World Market Crisis

In *Grundrisse*, Marx emphasized that the world market is the arena where the contradictions of capitalism operate at full scale, while regarding the tendency of capital to create the world market as "the great civilizing influence of capital" (Marx, 1973: 409): "**the world market the conclusion, in which production is posited as a totality together with all its moments, but within which, at the same time, all contradictions come into play"** (Marx, 1973: 227. My emphasis).

As the above-quoted Marx's *Plan*, [Plan A], [Plan B], and [Plan C] show, Marx thought to conclude his grandiose Plan of Critique of Political Economy with the book on world market crisis. Indeed, in *Grundrisse*, the perspective of world market crisis, or a global standpoint, is paramount from the start, that is, from its introductory discussion, 'Bastiat and Carey'.

> "All the relations which appear harmonious to him within specific national boundaries or, in addition, in the abstract form of general relations of bourgeois society – e.g. concentration of capital, division of labor, wage labor etc. – appear as disharmonious to him where they appear in their **most developed form** – in their **world market form** – as the internal relations which produce English domination on the **world market**, and which, as destructive influences, are the consequences of this domination. ... What Carey has not grasped is that these **world-market disharmonies** are merely the ultimate adequate expressions of the disharmonies which have become fixed as abstract relations within the economic categories or which have a local existence on the smallest scale"(Marx: 1973, 886-7. My emphasis).

Young Marx's Weltanschauung, summarized as the thesis of '**world capitalism-world market crisis-world revolution'**, which was so clearly pronounced in *The Communist Manifesto and The German Ideology*, sustained clearly in *Grundrisse* as follows:

> "... the autonomization of the **world market** (in which the activity of each individual is included), increases with the development of monetary relations (exchange value) and vice versa, since the general bond and all-round independence in production and consumption increase together with the independence and indifference of the consumers and producers to one another; since this contradiction leads to **crises**, etc., hence, together with development of this alienation, and on the same basis, efforts are made to overcome it. … In the case of the *world market*, the *connection of the individual* with all, but at the same time also the *independence of this connection from the individual*, have developed to such a high level that the formation of the **world market** already at the same time contains the **conditions for going beyond it**" (Marx, 1973: 160-1. Marx's italic and my emphasis).[18]

[18] Negri also rightly emphasized the central significance of Marx's thesis of 'world capitalism-world market crisis-world revolution' in his exegesis of *Grundrisse*: "Now, the world market has been present in the *Grundrisse* since the first pages – already in the

Marx also explicitly mentioned the concept, 'world market crisis' in *A Contribution to the Critique of Political Economy*, published in 1859:

> "The fact that money is the sole incarnation of wealth manifests itself in the actual devaluation and worthlessness of all physical wealth, and not in purely imaginary devaluation as for instance in the monetary system. This particular phase of **world market crisis** is known as monetary crisis. ... The commercial crisis of the nineteenth century, and in particular the great crises of 1825 and 1836 … [were] **big storms on the world market, in which the antagonism of all elements in the bourgeois process of production explodes**; the origin of these storms and the means of defense against them were sought within the sphere of currency, the most superficial and abstract sphere of this process" (Marx, 1987: 387, 412. My emphasis).

The thesis of '**world capitalism-world market crisis-world revolution**' central to Marx's early works, especially *The Communist Manifesto* and *The German Ideology*, was not only sustained but developed with the aid of value theory. It was concretized with the empirical studies of the crisis of 1857-58 in his mature work, *Grundrisse*.

It is true that it is only in [Plan A] (quoted from 'Notebook M', written as the part of Introduction to *Grundrisse* in 1857) and [Plan B] (quoted from 'Notebook II' written for 'Chapter on Capital') where Marx explicitly mentioned 'world market crisis', and located it as the final culminating book of his six book plan.

In his letters of 1857-58, written slightly after the above materials, and [Plan D] (quoted from the Preface to *A Contribution to the Critique of Political Economy*, published in 1859), the last book of the *Plan* is referred only as 'world market', not as 'world market crisis'. Does it imply that Marx abandoned or changed his original plan to theorize the crisis as the theory of world market crisis and locate his planned book on crisis as the final culminating one?

Chapter on Money – and has been untiringly reproposed at each fundamental passage, despite the fact that *a special book on it was contemplated*. … There is in the *Grundrisse* a constant tension towards the *Weltmarkt*, a tension which configures the expansive power of capital in the terrain of both circulation and production; an irresistible tension indeed. … On the other side we find that this spatial expansion of capital is nothing but *an ever broader process of constitution of the average profit*: and it is here that the contradiction inherent in profit, the antagonism of its constitutive forces, imposes itself. … *The theme of the world market is the most mature exemplification of the revolutionary tendency of the capitalist development*" (Negri, 1984: 119-12. Negri's italic). Bonefeld also indicated the significance of Marx's concept of world market crisis: "The world market is the terrain where the contradictory constitution of capital, its dependence on and anti-thesis to necessary labor, asserts itself as a crisis of credit, as speculative pressure on national currencies, and in terms of financial turmoil and industrial crisis" (Bonefeld, 2006: 63).

Not at all!

As Yoshihara said, it is “only the simplification or abbreviation of expressions”(Yoshihara, 1997: 4). Indeed, Marx always approached the contemporary actual crisis as world market crisis from the global perspective, as can be seen in *Theories of Surplus Value* and *Capital*, written after *Grundrisse*.

Indeed, Marx still used the term ‘world market crisis’ explicitly in *Theories of Surplus Value*:

> “Ricardo is quite wrong when he seeks to refute Adam Smith by asserting that *over-production* in one country is impossible. … he [Ricardo] overlooks that the output level is by no means arbitrarily chosen, but the more capitalist production develops, the more it is forced to produce on a scale which has nothing to do with the immediate demand but depends on a constant expansion of the **world market**. He has recourse to Say’s trite assumption, that the capitalist produces not for the sake of profit, surplus-value, but produces use-value directly for consumption – for his own consumption. He overlooks the fact that the commodity has to be converted into money. The demand of the workers does not suffice. … The demand of the capitalists among themselves is equally insufficient. … In the **crises of the world market, the contradictions and antagonisms of bourgeois production are strikingly revealed**. … **the most complicated phenomenon of capitalist production – the world market crisis** …. The **world trade crises** must be regarded as the real concentration and forcible adjustment of all the contradictions of bourgeois economy. The individual factors, which are condensed in these crises, must therefore emerge and must be described in each sphere of the bourgeois economy and the further we advance in our examination of the latter, the more aspects of this conflict must be shown that **its more abstract forms are recurring and are contained in the more concrete forms**” (Marx, 1968: 468, 500, 501, 510. Marx’s italic and my emphasis).

This paragraph is especially important methodologically. Marx not only emphasized that crisis must be theorized on the level of the world market, not as ‘crisis in one country’, but he also noted the method of concretizing the abstract determinations of crisis, formulated in the general analysis of capital, is necessary to explain the phenomenon of world market crisis.

In Chapter 15 ‘Machinery and Large-Scale Industry’ Section 7 ‘Repulsion and Attraction of Workers through the Development of Machine Production. Crises in the Cotton Industry’ of *Capital* Volume One, his most mature economic work, Marx also emphasized that large industry necessarily created and extended the world market, which inescapably resulted in the world market crisis:

> “… as soon as the factory system has attained a reasonable space to exist in, and reached a definite degree of maturity, and in particular as soon as the technical basis peculiar to it, machinery, is itself produced by machinery, as soon as coal-mining and iron-mining, the metallurgical industries, and the means of transport have been revolutionized; in short, as soon as the general conditions of production appropriate to large-scale industry have been established, this mode of production acquires an **elasticity, a capacity for sudden extension by leaps and bounds**,

> which come up against no barrier but those presented by the availability of raw materials and the extent of sales outlets. … the cheapness of the articles produced by machinery and the revolution in the means of transport and communication provides the **weapons for the conquest of foreign markets**. … The factory system's tremendous capacity for expanding with sudden immense leaps, and its **dependence on the world market**, necessarily give rise to the following cycle: feverish production, a consequent glut on the market, then a contraction of the market, which causes production to be crippled. The life of industry becomes a series of periods of moderate activity, prosperity, over-production, **crisis** and stagnation" (Marx, 1976: 579-80. My emphasis).[19]

> "The rapid improvement of machinery during the **crisis** allowed the English manufacturers, immediately after the end of the American Civil War, and almost in no time, to glut the **world market** again. This was followed by the sending of good on consignment to India and China, which of course merely intensified the 'glut'" (Marx, 1976: 561. My emphasis).

In *Capital* Volume One, Marx noted that the contemporary crisis, a cyclical industrial crisis, always took the form of world market crisis. Marx also mentioned the relation between world market and crisis in Chapter 25 of *Capital* Volume One 'The General Law of Capitalist Accumulation' Section 5 'Illustrations of the General Law of Capitalist Accumulation':

> "The **crisis** of 1866, which hit London most severely, created there, in the center of the **world market**, a city with more inhabitants than the kingdom of Scotland, an increase of pauperism for the year 1866 of 19.5 per cent, and of 24.4 per cent compared with 1864, and a still greater increase for the first months of 1867 as compared with 1866" (Marx, 1976: 807-8. My emphasis).

The above discussion suggests that Marx substantially executed an in-depth analysis of the contemporary world market crisis in advance in *Capital* and its manuscripts, which belonged to 'capital in general' or the 'first half' according to his original *Plan*, even though he originally planned to discuss the world market crisis in his final culminating book of the 'second half'. Indeed, Marx changed his original plan characterized by the rigorous distinction between 'capital in general' and 'many capitals', as is shown in *Grundrisse* of 1857-58, and included a major discussion of competition and credit as well as 'capital in general' in *Capital* when he finished the writing of the latter's 1861-63 manuscripts. As a result, Marx could substantially concretize the theory of crisis in *Capital*.

However, Unoists interpreted Marx's above change of 'Plan' as the abandonment of *Plan* itself, and argued first that the 'principle' part of the crisis theory is incorporated into the 'first half', that is, *Capital,* and second that the crisis theory corresponding to 'second half' of the *Plan* is not about the 'prin-

[19] Marx also mentioned the statistics on the exports of cotton from India, America and Australia to Britain during 1840-60s in the paragraphs just above the quoted sentence.

ciple' theory of crisis but about the 'stage theory' or 'empirical analysis' of the crisis.[20] For Unoists, Marx's crisis theory, as it is presented in *Capital*, is sufficiently complete in itself and therefore does not need to be developed further. Therefore, Unoists reject attempts to develop Marxian crisis theory further from *Capital*, constructing a world market crisis through the 'logical progression' of the basic categories of *Capital*, as this paper does. Indeed, Ouchi, one of the representative Unoists, asserted that the 'fact' that the part on 'crisis' is separated from the originally planned last book on 'world market crisis' last, and incorporated in the 'first half' of the *Plan* after the writing of 1861-63 manuscripts for *Capital*, reflects the 'fact' that Marx discarded the thesis of '**world capitalism-world market crisis-world revolution**' and situated the crisis as "a phase of recurring industrial cycle" of "pure capitalism", rather than relating it with the world revolution (Ouchi, 1966, 37-38)

However, equating the change of *Plan* with its total abandonment is untenable. Grossmann, 'father' of the thesis of '*Plan* abandonment', argued that Marx totally discarded the *Plan* of *Grundrisse* of 1857-58 when he wrote the 1861-63 manuscripts of *Capital*. According to Grossmann, Marx abandoned the *Grundrisse*'s six book *Plan* because he came to recognize that the original *Plan* is immature, since it is conceived and enumerated from the standpoint of 'material' rather than from the standpoint of 'understanding'.[21]

However, Grossmann's or Unoists' thesis of '*Plan* abandonment' seems to distort, or at least misread what Marx actually wrote. Above all, Grossmann's assertion that Marx's six book *Plan* of 1857-58 was conceived and enumerated from the standpoint of 'material' is totally blind to the obvious fact that it is included as an essential part in the 'Introduction' to *Grundrisse*, i.e. the most pronounced dialectical exposition among Marx's works. As Kuruma indicated 60 years ago, "crisis can be systematically explained only at the final point after all the contradictions are developed, not in any intermediate point of the investigation of the contradictions of capitalist production" from Marx's point of view (Kuruma, 1965: 215).[22]

[20] For example, Itoh (1973) argued that the necessities of crisis in capitalism are presented in their complete form in Part V of *Capital* volume Three, on interest-bearing capital.

[21] The thesis of '*Plan* abandonment' was first argued by Grossman in his seminal paper of 1929, and still upheld by Lapides (1992) or Yoon (2001) etc. However, it should be noted that Grossmann's 1929 paper was thoroughly demolished by Kuruma (1930) based on rigorous philological study just one year after its publication.

[22] On the contrary, Tomizuka argued as follows: "It is hard to interpret that Marx originally intended or planned to systematically develop 'his own specific crisis theory' at the last book according to his whole plan of the critique of political economy, that is, 'world market and crisis'" (Tomizuka, 1997: 130).

On the other hand, some scholars such as Kim (2008a), who maintain the '*Plan* unchanged' thesis, tend to over-emphasize the incompleteness of, or the abstraction level of Marx's crisis theories as presented in *Capital* and its manuscripts. Prioritizing the fact Marx originally planned the full-scale exposition of crisis in the final sixth book of his *Plan*, they assert that Marx's crisis theories, presented in *Capital*, are remote from the crisis theory in its true sense of the word, for they are theorized in the framework of 'capital in general', which is too high a level of abstraction to become a crisis theory.

However, this kind of '*Plan* unchanged' thesis is untenable too. Above all, it should be noted that *Capital* and its manuscripts already include the main elements of the necessities of industrial cycles as well as the mechanism of world market crisis beyond the boundary of 'capital in general', such as competition among 'many capitals', credit, foreign exchange rate, central bank, etc. The Marxian theorization of crisis should not consider Marx's crisis theories, as were presented in *Capital*, as completed, nor argue that Marxian crisis theory should be constructed almost from the scratch. Rather, the Marxian theory of world market crisis should be constructed through the concretization of the main categories of the 'second half' based on the 'first half' of Marx's *Plan*, especially by applying the main elements of Marx's crisis theories to the 'second half' of the *Plan* up to the world market crisis. This should follow Marx's specific method of 'logical progression' from the abstract to the concrete, as well as modeling and developing Marx's own analysis of the contemporary actual crisis.[23]

3. Marx's Analysis of World Market Crisis: 1857 Crisis

Marx attempted to theorize his crisis theory as the theory of world market crisis in his *Plan* of 1857-58, based on the fact that the crisis of 1857-58 was the world market crisis *par excellence*.[24] Marx also wrote *Grundrisse* in the ex-

[23] Kim (2008a), who attempted to concretize Marxian crisis theory from the standpoint of '*Plan* unchanged'', over-emphasized the factors of actual competition, market rate of profit, or the demand and supplies, while underplaying the importance of 'logical progression' through the introduction of the moments of 'second half', e.g. state, foreign trade and world market, towards concretization of the theory of world market crisis. Above all, the relevance of the thesis of '*Plan* unchanged' has been strongly challenged with the publication of the manuscripts of *Capital*, as are indicated by Heinrich(1989) and Fineschi (2009).

[24] Krätke also noted as follows: "The crisis of 1857-8 was the first world economic crisis, affecting all regions of the world that were in one way or the other already integrated in or at least connected to the world market. … In the *Grundrisse* … crisis of 1857-8 is mentioned twice: as example for a period of general monetary crisis when money as

pectation that the coming crisis of 1857-58 would lead to a new revolution, like the crisis of 1848 was followed by the revolution of 1848.

Marx carefully followed the progress of the crisis of 1857-58 and compiled very detailed notes, especially the excerpts of statistical data about the change of prices of corn, exports and imports etc. These notes, known as the *Books of Crisis of 1857-58*, are composed of three notebooks, (1) *1857 France*; (2) *Book of the Crisis of 1857*; (3) *Book of the Commercial Crisis*, will soon to be published as volume 14 of Part IV of *MEGA²* (Krätke, 2008).[25]

According to Tamaoka *et al.*(2012), Marx's *Books of Crisis of 1857-58* mostly consist of excerpts and scraps from periodicals such as *The Economist*, with extremely few words of Marx's own. Therefore, it is not probable that the publication of Marx's *Books of Crisis of 1857-58* would reveal any new unexplored aspects of Marx's crisis theory.

However, Marx's *Books of Crisis of 1857-58* not only show the great importance which Marx put to the crisis of 1857-58 but also how judiciously Marx examined this crisis from the perspective of world market crisis. Indeed, Marx used *Books of Crisis* for theorizing the crisis in *Grundrisse* as well as for writing of articles for the *New York Daily Tribune* during this period.[26]

Just looking over the main contents of *Books of Crisis of 1857-58*, is enough to know that Marx not only sustained a really global approach in his concrete analysis of the crisis of 1857-58 but also very meticulously analyzed the concrete data of real economy, such as the prices of cotton, silk, exports and imports and the rate of exchange.

money, money in its elementary commodity form as gold and silver becomes crucial – in particular as the one and only means of international payments" (Krätke, 2008: 174-5).

25 The *Books of Crisis of 1857-58* should not be confused with the *London Notebook of 1850-53*. During 1850-53 in London, Marx compiled as many as 24 notebooks, mostly excerpts from the classical economics, monetary theory, technology, history etc. Some parts (compiled during September 1849 to September 1851) have been published as *MEGA²* IV/7 (1983), *MEGA²* IV/8 (1986) and *MEGA²* IV/9 (1991) (http://mega.bbaw.de/struktur/abteilung_iv). As for the main contents and significance of *London Notebook of 1850-53*, refer to Musto (2010). Marx also compiled a 139-pages notebook, *B119*, [the serial number which Institute for International Social History in Amsterdam gave to Marx's manuscripts for the purpose of classification], mostly the excerpts from *The Economist*, *Money Market Review* etc in 1869, covering the trends of money markets and credit markets of major countries during the crisis of 1866. According to de Paulo (2011), Marx drew upon part of *B119* during his revision of the manuscripts of *Capital* volume Two.

26 According to Mori, "some of Marx's articles in *New York Daily Tribune* were written based on his excerpts in *Books of Crisis*", and "Marx's *Grundrisse* of 1857-58 … can be seen as process of induction and generalization of empirical research conducted in his *Books of Crisis* and articles of *New York Daily Tribune*" (Mori, 2012).

Marx's concept of the world market crisis was never a trial sketch of his future research plan but one of his central concepts which he constructed through the rigorous and systematic research and analysis, when he faced with the explosion of the first actual world market crisis as the harbinger of coming world revolution.

Indeed, Marx clearly conceived the crisis of 1857-58 as the world market crisis in his articles for *New York Daily Tribune*, written during November 1857 to February 1858.

> "British manufactures have been stretched to a point which must result in a general crash under contracted foreign markets, with a consequent revulsion in the social and political state of Great Britain. The American crisis of 1837 and 1839 produced a decline in British exports from ￡12,425,601, at which they stood in 1836, down to ￡4,695,225 in 1837, to ￡7,585,760 in 1838, and ￡3,562,000 in 1842" (Marx, 1986a: 383-384)."

> "The truth is that the English have very largely participated in speculation abroad, both on the Continent of Europe and in America, while at home their surplus capital has been mainly invested in factories, so that, more than ever before, the present convulsion bears the character of an industrial crisis, and therefore strikes at the very roots of the national prosperity. On the Continent of Europe the contagion has spread from Sweden to Italy in one direction, and from Madrid to Pesth in the other" (Marx, 1986b: 390).

> "If the first reaction on Great Britain of our American collapse manifested itself in a monetary panic, attended by a general depression in the produce market, and followed more remotely by manufacturing distress, the industrial crisis now stands at the top and the monetary difficulty at the bottom"(Marx, 1986c: 401).

Marx also understood the crisis of 1857-58 as a world market crisis in Chapter 16 of Volume Two of *Capital*, 'The Turnover of Variable Capital'.

> "… branches of industry which, like the building of railways, for instance, supply neither means of production nor means of subsistence, nor any kind of useful effect, for a long period, a year or more, though they certainly do withdraw labor, means of production and means of subsistence from the total annual product … [put] **pressures on the money market** … because large-scale advances of money capital for long periods of time are always needed here. … Since elements of productive capital are consistently being withdrawn from the market and all that is put into the market is an equivalent in money, the effective demand rises, without this in itself providing any element of supply. … But since these foodstuffs cannot be suddenly increased within the year, imports grow, as well as the import of exotic foods (coffee, sugar, wine, etc.) and objects of luxury. Hence **over-supply and speculation** in this part of the import trade. On the other hand, in those branches of industry in which production can be increased more quickly (manufacture proper, mining, etc), the price rise leads to sudden expansion, soon followed by **collapse**" (Marx, 1978: 390-1, My emphasis).

Major elements of Marx's analysis of world market crisis are most fully presented in following remarkable paragraphs about the 1857 crisis, included in Chapter 30 of *Capital* volume Three, 'Money Capital and Real Capital I':

> "In 1857 the crisis broke out in the United States. This led to a drain of gold from England to America. But as soon as the American bubble burst, **the crisis reached England, with a drain of gold from America to England**. Similarly between England and the Continent. In times of general crisis the balance of payments is against every country, at least against every commercially developed country, but always against each of these in succession – like **volley firing** – as soon as the sequence of payments reaches it; and once the crisis has broken out in England, for example, this sequence of dates is condensed into a fairly short period. It is then evident that **all these countries have simultaneously over-exported (i.e. over-produced) and over-imported (i.e. over-traded)** and that in all of them prices were inflated and credit overstretched. In every case the same collapse follows. The phenomenon of a drain of gold then affects each of them in turn, and shows by its very universality: (1) that **the drain of gold is simply a phenomenon of the crisis, and not its basis**; (2) that the sequence in which this drain of gold affects the different countries simply indicates when the series reaches them, for a final settlement of accounts; when **their own day of crisis comes and its latent elements in turn emerge in their own case**" (Marx, 1981: 623-624. My emphasis)

As early as more than 150-years before the explosion of current global economic crisis, Marx remarkably summarized the mechanism of the 1857 crisis, focusing on following elements:

(1) The world market crisis is the result of 'overproduction' on a world scale, with 'over-export' and 'over-import' of major countries as its main components.

(2) Every country has their own 'latent elements' of the crisis, and 'their own day of crisis' comes sooner or later.

(3) As the extension of reproduction process beyond the limits of valorization inescapably results 'over-imports' ('over-exports'), and 'over-imports' ('over-exports') for one country means 'over-exports' ('over-imports') for the other countries, "**all these countries have simultaneously over-exported (i.e. over-produced) and over-imported (i.e. over-traded)"**, extending the crash of one country to the other countries.

(4) Above relations express themselves in the world market crisis, mediated by the change of international balance of payments, accompanied by the 'successive 'volley firing' forms of 'drain of gold'.

(5) In this sense, "**the drain of gold is simply a phenomenon of the crisis, and not its basis**". However, the 'drain of gold' is not just an ephiphenomenon of the crisis, though it does not consist in itself in the determinate cause of the crisis. For, the 'drain of gold' seriously 'affects' the process of the crisis, if it occurs in the specific phase of the industrial cycle, in other words, the phase when '**its latent elements**' mature. (Tomizuka, 1997: 138).

Also, for Marx, the 'metal reserve' of the central bank as ' the pivot of the credit system' was crucial regarding the effects of the 'drain of gold' on the circulation process, In Chapter 35 of *Capital* volume Three, 'Precious Metal and Rate of Exchange', Marx remarked that "A drain of metal is generally the symptom of a change in the state of foreign trade, and this change is in turn an advance warning that conditions are again approaching a crisis", and noted that the overseas drain of gold, combined with the domestic drain of gold, caused the rapid rise of the rate of interest, realizing the "**latent elements**" of crisis or intensifying the already actualizing crisis (Marx, 1981: 704).[27]

For Marx, the international movements of gold and the related change of the rate of foreign exchange plays a crucial role in the actualization of the real crisis, as is evidenced by Marx's very judicious analysis of them, especially in Chapter 35 of *Capital* volume Three, 'Precious Metal and Rate of Exchange'. Also, the issue of international movements of the gold, which Marx regarded crucial in the crisis of 1857-58, implies that the theorization of the crisis can never be adequately done on the level of 'capital in general', or, even in the 'first half' of *Plan*, but should be logically progressed further up to the 'second half', eventually at the level of 'world market crisis', the last sixth book of the *Plan*. Indeed, the issue of international movements of gold cannot even be posed on the level of 'principle theory' of crisis, which presumes the single national market.[28]

[27] Engels also argued that the contemporary expansion of world market prepared the explosion of bigger world market explosion while alleviating it at the same time in a footnote to chapter 30 of volume Three of *Capital*, 'Money Capital and Real Capital I', as follows: "… might we now be in the preparatory phase of a **new world crash** of unheard-of severity? Many things seem to point this way. Since the last general crisis of 1867, great changes have occurred. The colossal expansion of means of communications – ocean-going steamships, railways, electric telegraphs, the Suez canal – has genuinely established the **world market** for the first time. Alongside England, which formerly had a monopoly of industry, we have a whole series of competing industrial countries; the investment of surplus European capital in all parts of the globe is infinitely greater and more widespread, so that this is far more broadly distributed and local overspeculation is more easily overcome. All these things mean that most of the former breeding-grounds of crises and occasion for crises formation have been abolished or severely weakened. Competition in the home market is also retreating in the face of the cartels and trusts, while on the foreign market it is restricted by the customs tariffs with which all major industrial countries except England surround themselves. But these tariffs themselves are nothing less than the weapons for the final general industrial campaign to decide supremacy on the **world market**. And so each of the elements that counteracts a repetition of the old crises, conceals within it the nucleus of a far more violent future **crisis**" (Marx, 1981: 620-1. My emphasis).

[28] As Muraoka explained, "Influx and efflux of gold are the world market form of the following determinations of the capitalist crisis on the 'principle theory' level: disguise of the overproduction by the credit at the last phase of the boom → collapse of the prices

4. Constructing a Theory of Crisis in Globalization by Extending Marx's Theory of World Market

Despite the central significance of the concept of world market crisis in Marxian crisis theories, only a few existing Marxist works are explicitly conscious of it. In this respect, Brenner (2006) is exceptional.

Although Brenner (2006) did not explicitly mention Marx's theory of world market crisis, it successfully realized the main components of the latter. This is shown by: its analysis of the international extension of the crisis, mediated by international overproduction resulting from the falling rate of profit; changes in international payments and foreign exchange rates; and its explanation of financialization, ensuing bubbles and their collapse as a response to the falling rate of profit.

With the deepening crisis of the world economy since the crisis of 2007-9, the significance of Marx's concept of world market crisis began to be noticed by some scholars, such as Ivanova (2011), Jessop (2012) and Muraoka (2009). Ivanova argued that "the origins of the Great Depression [of 2007-9] can be fully understood only within an analysis of the system of globalized production and corresponding division of labor manifest in the symbiotic relationship between the financialized US-centered core and the commodity-producing periphery"(Ivanova, 2011: 854).

However, Ivanova (2011) does not mention Marx's concept of world market crisis, except to emphasize the global imbalance between China and US in the current crisis, already much discussed in the existing literatures. Also, while Jessop (2012) noticed the central importance of Marx's concept of world market crisis in explaining the current crisis, his theorization is insufficient because it jumps from Marx's discussion of the functions of money, a theory of only the possibility of crisis, to the explanation of actual world market crisis.

Recently, Muraoka (2009) attempted a full-scale explanation of current crisis in terms of Marxian theory of world market crisis. First, Muraoka (2009) summarized the main categories of Marx's theory of world market crisis as follows: (1) world market · world money, (2) average unit of world labor, (3) national differences in wages, (4) valorization of national capitals, (5) accumulation of national capitals, international division of labor and foreign trade, (6) conditions of national working classes, (7) coexistence of multiple national rates of profit, (8) national differences of rates of interest, (9) international

of commodities → desire for the hard money (=thirst for money) → intervention of central bank" (Muraoka, 1997: 384).

payments, precious metal and rates of foreign exchange. Second, Muraoka(2009) defined the ultimate cause of the world market crisis as the 'plethora of real capital' on a world scale accompanied by the 'excesses of national capitals' and the resulting excesses of commodities, as well as the influx and efflux of gold as their phenomenal forms" (148).[29] Third, drawing on Marx's analysis of the contradictions between the overaccumulation of real capital and money capital in Part III and V of Volume Three of *Capital*, Muraoka emphasized the collapse of the Bretton Woods system in 1971, and the transition to a system of floating foreign exchange rates, as the fundamental background of the current global economic crisis. Fourth, Muraoka (2009) pointed to the increased uncertainties and excesses of capital, as well as the ballooning of international financial transactions and related hypertrophy of the US financial market, as the direct triggering factor of the current crisis.

Muraoka's theorization and application of Marx's theory of world market crisis seems to be the most advanced one. However, the following issues need to be contested. First, Muraoka limits the operation of law of value on the world market to the level of international market value and negates the tendency of the formation of international prices of production based on the international equalization of national profit rates. This is questionable: even under the condition of the coexistence of multiple nation-states, the former could operate successfully. Second, Muraoka follows the Unoists by locating the cause of the falling profit rate in the absolute overproduction of capital: the profit squeeze due to the rapid rise of wages in the final phase of the boom. However,, this is also problematic, although Muraoka is right to attempt to concretize the Marxian theory of world market crisis in the overaccumulation of capital and the related falling rate of profit on a world scale. For Marx, overaccumulation of capital usually results from the falling rate of profit, due to the rise of the organic composition of capital, while a profit squeeze owing to a wage push is exceptional.[30] Third, Muraoka asserts that the singularity of the current global crisis, compared to the world market crisis of Marx's era, can be found in its form of "global simultaneous crisis" as the effect of glob-

[29] In other paper, Muraoka (1997) defined the world market crisis as follows: "The world market crisis as a phase of the economic cycles on a world scale, is the forcible adjustment process in which old relations of material and value replacement in capital reproduction are fractured and followed by the reconstruction of new ones amongst the overproduction on a world scale" (Muraoka, 1997: 380).

[30] Unoists attempted to generalize the case of the "absolute overproduction of capital", presented in Chapter 16 of Volume Three of *Capital*, which Marx included just as a special case of the internal contradictions of the tendency of the rate of profit to fall. For a critique of Unoist crisis theory, refer to Kim (2006).

alization, rather than that of “volley-firing” as Marx described it. This is also debatable on theoretical and empirical grounds. As discussed below, the geo-political competition between many nation-states is an inherent tendency of the capitalist mode of production. If this multiplicity sustains itself despite globalization, the world market crisis would also take the form of “volley-firing”, as Marx mentioned in *Capital*, rather than what Muraoka describes as “global simultaneous crisis”. Indeed, the East Asian crisis of 1997-98, the current global economic crisis of 2007-9 and the recent Eurozone crisis, the representative crises in the era of globalization, have developed and extended like “volley firing”, rather than a “global simultaneous crisis”.[31]

In this section, I will reconstruct a Marxian theory of world market crisis, based on the method of ‘logical progression’ from the abstract to the concrete, starting from the thesis of tendency of the rate of profit to fall (Part III of *Capital* volume Three), complementing them with the discussion on the contradictions of real capital and money capital (Part V of *Capital* volume Three). Finally, I will introduce the categories of the ‘second half’, especially, states’ responses to the crisis and competition among ‘many states’.

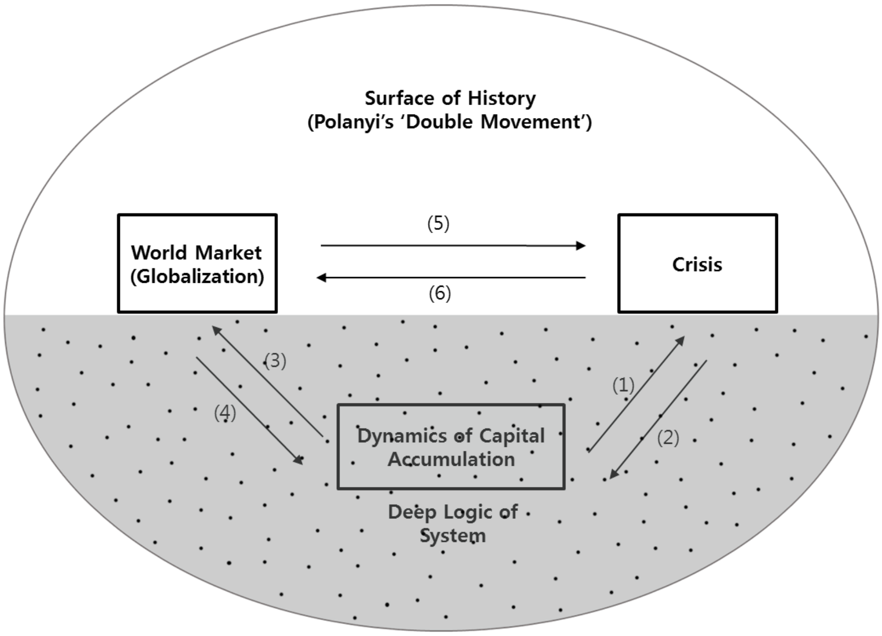
In this section, I will also apply the Marxian theory of world market crisis to the explanation of the current? world market crisis of 2007-9, while criticizing the thesis of financial crisis, now the conventional wisdom among progressives, which views financial or neoliberal globalization as the main cause of the current global economic crisis.

The causal relation between the globalization and crisis can be grasped from the Marxian theory of world market crisis as shown in **Figure 2**. Existing radical approaches to this relation tend to prioritize the interactive processes between globalization and crisis or, put differently, ‘globalization ⇄ crisis’, oscillating between the causal relation from globalization to crisis (arrow 5), and the reverse relation from crisis to globalization (arrow 6, the acceleration or deceleration of globalization as the results of (states’ responses to) the crisis): in other words, the so-called ‘double movements’ of Karl Polanyi. In contrast, Marxian theory of world market crisis emphasize that this kind of ‘double movements’ between globalization and crisis are the surface phenomenon of the deeper process of contradictory dynamics of capital accumulation inherent to the capitalist mode of production (arrows 1 and 3). It is

[31] Thompson also noted that the global economic crisis of 2007-9 was an “inter-national” crisis rather than a global crisis in its true sense of the word, considering that it spread like a chain-bankruptcy rather than simultaneously, and the fact that the responses to the crisis were mainly executed on a nation-state basis rather than globally coordinated (Thompson, 2010: 131).

obvious that the Marxian theory of world market crisis is fundamentally different from the conventional wisdom of the existing radical approaches, which conceive globalization as a new 'epochal moment' in the history of capitalism from the stageist perspective.[32]

Figure 2: Overdetermination of Globalization, Crisis and Capital Accumulation



Notes:

(1) crisis resulted from the deepening contradictions of capital accumulation

(2) reconstitution of the conditions of capital accumulation through the crisis

(3) creation and extension of world market as the results of capital accumulation

(4) world market as prerequisite of capitalism

(5) intensification of crisis by globalization

(6) acceleration (deceleration) of globalization through crisis

The world market crisis is situated as the final conclusion of Marxian theorization of crisis, characterized by the continuous concretization or 'logical progression' from the abstract to the concrete. From the standpoint of world market crisis, previous crisis theories differ from Marx's systemic dialectic approach by jumping from the function of money, i.e. the 'possibilities of cri-

[32] As Jessop noted, "The notion of globalization highlights qualitative changes associated with the growing capacity of some fractions of capital to operate on a global scale in real time, but also disguises basic continuities with earlier waves of world market integration" (Jessop, 2010: 39).

sis', to the theory of world market crisis,[33] or substituting Marx's reproduction schemes, i.e. 'developed possibilities of crisis' of reproduction, for the theory of world market crisis.[34]

Indeed, in *Theories of Surplus Value*, Marx emphasized that the possibilities of crisis should be distinguished from the actual occurrence of it, and noted that his discussion of the reproduction schemes is only about the 'developed possibilities of crisis':

> "But the actual movement starts from the existing capital – i.e., the actual movement denotes developed capitalist production, which starts from and presupposes its own basis. The process of reproduction and the presupposition to crisis which is further developed in it, are therefore only partially described under this heading and require further elaboration in the chapter on '*Capital and Profit*'. The **circulation process as a whole or the reproduction process of the capital as a whole** is the unity of its production phase and its circulation phase, so that it comprises both these processes or phases. Therein lies a further **developed possibility or abstract form of crisis**"(Marx, 1968: 513. My emphasis).

Now to proceed to the discussion of the main mediating categories of 'logical progression' towards the world market crisis, as **Table 3** illustrates in the following order: (1) tendency of falling rate of profit and overaccumulation of real capital; (2) contradiction between real capital and money capital, 'financialization'; (3) states' responses to crisis; and (4) contradictions of many states and global imbalances.

4.1. Overaccumulation of Real Capital and the Tendency of the Rate of Profit to Fall

In Chapter 15 of Volume Three of *Capital*, 'Development of the Law's Internal Contradictions', Marx clearly said that the falling rate of profit caused the crisis as follows:

> "(T)he rate of profit, is the spur to capitalist production (in the same way as the valorization of capital is its sole purpose), **a fall in this rate slows down the formation of new, independent capitals** and this appears as a threat to the development of the capitalist production process; it **promotes overproduction, speculation and crises**, and leads to the existence of excess capital alongside a surplus population. ... **As the profit rate falls, so there is a growth in the minimum capital** that the individual capitalist needs. … This growing concentration leads in turn, at a certain level, to a new fall in the rate of profit. **The mass of small fragmented capitals are thereby forced onto adventurous paths: speculation, credit swindles, share swindles, crises** ... the development of labor productivity involves a law, in the form of the **falling rate of profit**, that at a certain point confronts this development itself in a most hostile way and has constantly to be overcome by way of **crises**. … The tremendous productive power, in proportion to

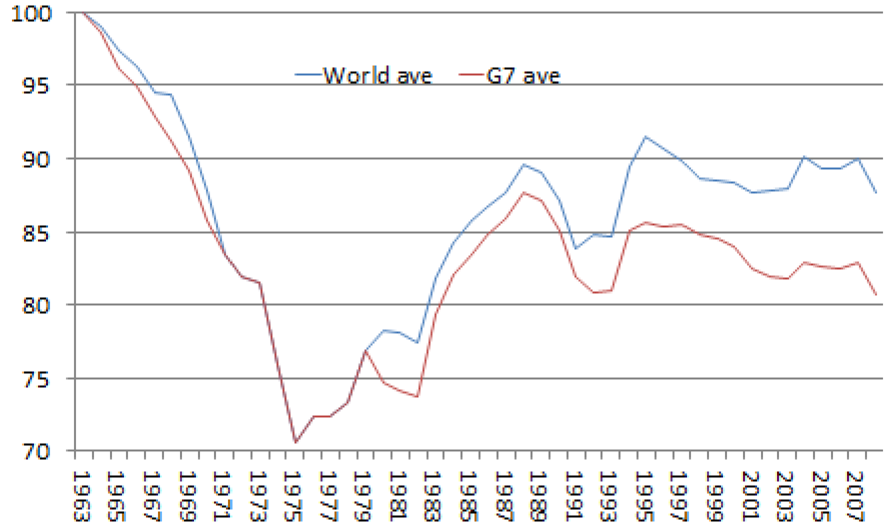
[33] Refer to Jessop (2012).

[34] For a discussion on the Japanese Marxist economists' debates on the systematic reconstruction of Marx's crisis theory, refer to Yoshihara (1998).

> the population, which is developed within the capitalist mode of production, and – even if not to the same degree – **the growth in capital values (not only in their material substratum), these growing far more quickly than the population**, contradicts the basis on behalf of which this immense productive power operates, since this basis becomes ever narrower in relation to the growth of wealth; and it also contradicts the conditions of valorization of this swelling capital. **Hence crises**" (Marx, 1981: 349-350, 359, 367, 375. My emphasis)

Considering the fact that Marx explicitly related crisis with the falling rate of profit, the recent assertion of Krätke (2012) that Marx never explained the crisis in these terms is simply groundless. There exists a substantial amount of literature which applied the Marxian law of falling rate of profit to the analysis of actual crisis, including Brenner (2006), Kliman (2012a) and Carchedi (2011). To concretize the Marxian law of falling rate of profit as the theory of world market crisis, it is necessary to extend the empirical analysis of the former from the level of the nation state to a global scale. For this task, Brenner (2006) showed the global tendency of the falling rate of profit behind the long downswing after the 1970s through the empirical studies of trends of rates of profit in the US, Japan, and Germany. Kliman (2012b) showed the same global tendency of the falling rate of profit prior to the global economic crisis of 2007-9 through the estimation of the profitability of foreign direct investment of US-based multinational corporations. Also notable are attempts to estimate the 'world rate of profit' in its true sense of the word, by aggregating the national accounts and national capital stock data, as exemplified by Li *et al.*(2007) and Roberts (2012). As **Figure 3** shows, the 'world rate of profit' shows a long-run falling tendency since 1960s', before it [especially the rate of profit of G-7] recovers a little after the late 1970s for a while, then falls again after the 1990s throughout to the period just before the explosion of the global crisis of 2007-9.

Figure 3: World Rate of Profit (1963=100)



Source: Roberts(2012)

Although it is true that the falling rate of profit can directly cause crisis, it should be emphasized that the derivation of crisis without any mediation from the tendency of falling rate of profit is not what Marx meant in his whole work of critique of political economy. In this respect, so-called 'fundamental Marxists', like Grossmann, Paul Mattick, or Mario Cogoy, who directly related the crisis with the tendency of the falling rate of profit are not true to Marx's text. What is needed is the concretization, or 'logical progression' from Marx's falling rate of profit towards the theory of world market crisis, while basing or centering on the former.

In this respect, Kim (2008b; 2010) is right to criticize 'fundamental Marxists' who derived the crisis from Marx's law of the falling rate of profit without any mediation. However, Kim (2008b; 2010) is still problematic, in that it sticks to the position of '*Plan* unchanged', in other words, the thesis of '*Capital*=capital in general', thereby closing the promising research program of concretization. The latter builds on the concretization of the theory of crisis of the 'first half', that is, the theory of the 'necessity of crisis', and then continues the 'logical progression' towards the theory of crisis of the 'second half': the theory of the 'actuality of crisis', or the theory of world market crisis, covering state, foreign market and world market crisis.

4.2. 'Financialization'

Marx assumed that the easing of borders between states and the growth of finance would accelerate the development of the world market. Marx also predicted that credit and finance would develop on a world scale, thereby extending and deepening the world market. In *Grundrisse*, Marx said as follows:

> "The entire *credit system*, and the over-trading, over-speculation etc. connected with it, rests on the necessity of expanding and leaping over the barrier to circulation and the sphere of exchange. This appears more colossally, classically, in the **relations between peoples** than in the relation between individuals. Thus e.g. the **English forced to *lend* to foreign nations, in order to have them as customers**. At bottom, the English capitalist exchanges doubly with *productive* English capital, (1) as himself, (2) as Yankee etc. or in whatever other form he has placed his money" (Marx, 1973: 416. Marx's italic and my emphasis).

Marx also said that the overaccumulation of capital, mediated and accelerated by the world market and pre-validation of commodities into money by credit, would eventually lead to the world market crisis in his first manuscript of Volume Two of *Capital*:

> "... there, from a **general collapse**, crisis takes place. That the crisis can be seen with our own eyes is not because consumption demand, in other words, demand for individual consumption *directly* decreases, but that the exchange between capital and capital, i.e. the *reproduction process of capital* dwindles. The reason why this kind of phenomenon takes place is that the *transformation of commodities into money* – through the **world market** and **credit system** – proceeds independently of the sales of commodities to the final purchasers. In other words, the *transformation of commodities into money* takes place in advance, and to some extent, independent of the actual process of individual consumption. .... The capitalist mode of production secures the form in the credit that enables the shortening of the circulation process, essential to the scale of the (production) process. At the same time, the **world market**, created by this mode of production, in any concrete case, conceals the operation of the form as well as provides the extraordinary arena of activities for the extension of the form. … The foreign market changes nothing of this situation. Because of this, we can abstract from it. Nevertheless, the foreign market destroys the rigorous proportionality between the elements of the reproduction that would obtain in its absence. Because of this, it gets rid of the inner limit to reproduction" (Marx, 1982: 48-9, 268. Marx's italic and my emphasis).

Recently, some commentators have argued that because Marx's theory of crisis is basically constructed in terms of the crisis of the real economy, whether of the falling rate of profit or the contradiction between production and consumption, it is fundamentally limited in explaining the current global economic crisis of 2007-9, the central aspect of which is allegedly financial.[35] However, the conventional accusation that Marx's crisis theory underplays the financial aspects is groundless, considering the following quotes in which Marx clearly stated that the actual crisis, or the actuality of crisis can be explained only after the elements of competition, credit and finance are explicitly and fully incorporated.

> "The real crisis can only be deduced from the real movement of capitalist production, competition and crisis"(Marx, 1968: 512).

[35] For example, Moseley (2009) or Bellofiore (2011) argued that the current crisis is a 'Minsky crisis', not 'Marx crisis'.

Indeed, Marx analyzed in detail the role of credit and finance in the occurrence of the crisis in Chapter 30 of Volume Three of *Capital*, 'Money Capital and Real Capital: I':

> "In a system of production where the entire interconnection of the reproduction process rests on credit, a crisis must evidently break out if credit is suddenly withdrawn and only cash payment is accepted, in the form of a violent scramble for means of payment. **At first glance, therefore, the entire crisis presents itself as simply a credit and monetary crisis**" (Marx, 1981: 621. My emphasis).

Marx's following paragraph from Chapter 29 of Volume Three of *Capital*, 'Banking Capital's Component Parts', seems to anticipate the financial derivatives, such as MBS, CDO, and CDS, which have played such a prominent role in the current global economic crisis:

> "Moving from the capital of the national debt, where a negative quantity appears as capital – interest-bearing capital always being the mother of every insane form, so that **debts, for example, can appear as commodities** in the mind of the banker … With the development of interest-bearing capital and the credit system, **all capital seems to be duplicated, and at some points triplicated, by the various ways in which the same capital, or even the same claim, appears in various hands in different guises**. The greater part of this 'money capital' is purely fictitious" (Marx, 1981: 596, 601. My emphasis)

Engels also once noted the existence of a special sort of monetary crisis, resulting from the collapse of the speculative transactions fed by the expansion of credit, which is different from the normal monetary crisis which takes place in the specific phase of the general commercial crisis. In a note to Chapter 3 of Volume One of *Capital*, when he dealt with the function of money as means of payment, Engels wrote: "The pivot of these crises is to be found in money capital, and their immediate sphere of impact is therefore banking, the stock exchange and finance" (Marx, 1976: 236).

Considering Marx's abundant and in-depth analysis of the roles of money and finance in the crisis, it is groundless to argue that Marx did not incorporate financial aspects in his theory of crisis, or that Keynes or Minsky are more relevant than Marx to explain the current global economic crisis.[36]

[36] Itoh also said that "The economics of Marx's *Capital* is far richer than Keynesian or Post-Keynesian economics in its aspect of the system of monetary economics. Indeed, it emphasizes that the various functions of money provide the basis of the credit system in the dynamics of the capitalist economy, and that the contradictory dynamics between the real capital and loanable money capital are crucial to the explanation of the industrial cycle and crisis. … On the contrary, the thesis of financial instability of Post-Keynesian economics or the theory of financial crisis tend to overplays and generalize the narrow inside dynamics of the financial system from the standpoint of psychological portfolio preferences" (Itoh, 2009: 116). However, Unoists, like Itoh, attempted to purify Marx's crisis theory as a theory of industrial cycle by reconstructing Marx's discussion of money and credit in Part V of Volume Three of *Capital*. The most problematic in

What is characteristic in Marx's theory of crisis is not that it neglects the moments of finance in the actual crisis but it explicitly relates them to the tendency of falling rate of profit.[37]

4.3. States' Responses to Crisis

Marx was keenly aware of the role of bourgeois state, especially the central bank, in triggering as well as responding to crisis. In Chapter 35 of Volume Three of *Capital*, 'Precious Metal and Rate of Exchange', Marx said, "The central bank is the pivot of the credit system. And the metal reserve is in turn the pivot of the bank" (Marx, 1981: 706). He enumerated the functions of metal reserve: "(i) a reserve fund for international payments, i.e. a reserve fund of world market, (ii) a reserve fund for the alternately expanding and contracting domestic metal circulation (iii) … a reserve fund for the payment of deposits and the convertibility of notes" (Marx, 1981: 701-2). In Chapter 3 of Volume One of *Capital*, 'Money, or the Circulation of Commodities', Marx also discussed the contradictions of different functions of metal reserves: "These different functions can come dangerously into conflict whenever gold and silver have also to serve as a fund for the conversion of bank notes" (Marx, 1976: 244).

In Chapter 30 and 32 of Volume Three of *Capital*, Marx said that the supply of the credit by the central bank could not prevent the coming of crisis, though delay it for some time:

> "It is clear that this entire artificial system of forced expansion of the reproduction process cannot be cured by now allowing one bank, e.g. the **Bank of England**, to give all the swindlers the capital they lack in paper money and to buy all the depreciated commodities at their old nominal values. Moreover, everything here appears upside down, since in this paper world the real price and its real elements are nowhere to be seen, but simply bullion, metal coins, notes, bills and securities. … Thus value of commodities is thus sacrificed in order to ensure the fantastic and autonomous existence of this value in money. In any event, a money value is only guaranteed as long as money itself is guaranteed. ... as long as a bank's credit is not undermined, it can alleviate the panic in such cases by increasing its credit

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the Unoists' project of concretization of Marx's crisis theory is that it operates within the boundary of the 'first half', refraining to advance into the 'second half' of the 'Plan' towards the world market crisis theory. Unoist crisis theory is also problematic in that it attempts to construct a theory of business cycle which autonomously functions in the self-regulating market, while relegating the main moments of Marx's 'second half', that is, state, foreign trade and world market crisis, as only secondary or disturbing elements.

[37] Potts also indicated that "as the profit rate tends to decline in boom, investment in fictitious capital tends to become relatively more attractive, which can explain why speculation/bubbles in fictitious capital tend to occur as booms progress" (Potts, 2011: 459). As for the author's attempt to explain the current crisis by relating Marx's law of falling rate of profit with the phenomenon of so-called 'financialization', refer to Jeong (2011).

> money, whereas it **increases this panic by contracting credit**. ... The **suspension of cash payments by the so-called national banks**, which is resorted to as the sole expedient in all extreme cases, shows that even now no metal money is needed at home" (Marx, 1981: 621-2, 649. My emphasis).

In above paragraph, Marx noted that the central bank could alleviate the severity of the crisis by the creation of credit money, in so far as its credibility would not be questioned, but that it would undermine the value of money. It is quite remarkable that, 150 years ago, Marx anticipated the quantitative easing by the Federal Reserve Bank of the US during the global economic crisis of 2007-9.

With the 'return of state' during the global economic crisis of 2007-9, various sorts of Keynesianism, or even the thesis of 'state monopoly capitalism', discredited after the demise of Stalinist regimes, seemed to revive among progressives. However, what is needed for the concretization of Marxian world market crisis is not Keynesianism or the thesis of state monopoly capitalism, but concretizing Marx's theory of state, especially extending and synthesizing the theory of "concentration of bourgeois society in the form of the state" and the theory of "the state externally": that is, the state in the 'second half' of the *Plan*. In addition, the analysis of the responses of the bourgeois states to the global economic crisis of 2007-9, including the austerity policy and the recomposition of the capitalist class relations engineered by the state, is also important.[38]

4.4. Contradictions of Many States and Global Imbalances

Another essential procedure for the construction of Marxian theory of world market crisis is to introduce the moment of multiplicity of states, or the contradictions of 'many states'. One of the main issues in the recent Marxist debates on the state was the derivation of the reality of many states, especially the geopolitical competition of many states, from the logic of competition of many capitals. The debates were rightly based on the methodological assumption that the level of 'many states' can be distinguished from that of 'state in general' as much as the level of 'many capitals' from 'capital in general'.[39]

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[38] As for Marxist analysis of the capitalist states' responses to the global economic crisis of 2007-9, refer to Callinicos (2012) and Burnham (2011).

[39] In this case, national economy can be defined as the space or locality where the principle determinations of state as the "concentration of bourgeois society in the form of the state" realize themselves", or "the extent to which unitary labor market is formed on the basis of the unified system of land property and utilization" (Muraoka, 1985a: 125, 135). Muraoka also emphasized the role of monopoly of private landed property in the local or spatial realization of the bourgeois state. Indeed, the establishment of the mo-

Also debated was whether the importation of the 'Realist moment' from the mainstream International Relations discipline could be compatible with the Marxian method of historical materialism, or to what extent Trotsky's logic of uneven and combined development could be transhistorically extended to explain the emergence of many states as well as the geopolitical competition among them.[40] However, the recent Marxist debates on the state are problematic because Realist International Relations or Leninist imperialism theories are overplayed, while the categories of Marx's 'second half' are deficient. The weakest point is that they lack of Marx's category of world market crisis. What is needed is to link or integrate the latter with the contradictions of many states or geopolitical competition. In other words, we need to derive the necessity of many states from Marx's category of the state of the 'second half' of the *Plan*, especially "state externally", then 'logically progress' it further towards the theory of world market crisis.

It is also important to develop the Marxian theory of foreign exchange based on Marx's value theory and relate it to the theory of world market crisis. Indeed, Brenner (2006), McNally (2011), Lapavitsas (2012) tried to introduce the mechanism of foreign exchange in the analysis of the crisis.[41] For example, Brenner (2006) tried to explain the development of the global economic crisis after the 1970s as follows:

Export-led catch-up high growth of Japan and West Germany → Overproduction on a world scale / falling rate of profit in the US → Deterioration of the balance of payments of the US → Depreciation of the value of dollar / Appreciation of the values of Yen and Mark (Plaza Accord in 1985)→ Falling rate of profit in Japan and West Germany → Appreciation of the value of dollar / Depreciation of the values of Yen and Mark (Reverse Plaza Accord in 1995) → Falling rate of profit in the US → IT Bubble-led Growth and subsequent collapse.

McNally (2011) indicated that the transition to the floating system after 1971 was the one of the most important factors of the instability and uncertainty of the world economy and the crisis. Lapavitsas (2012) also sought the

nopoly of private landed property consists one of the core elements of the "concentration of bourgeois society in the form of the state".

40 As for the recent Marxist debates on the state, especially among Trotskyists, Political Marxists, Open Marxists, and Neo-Gramscian International Political Economists, refer to Anievas ed (2010).

41 Some participants in the West German debates on the world market in the 1970s also tried to explain the change of the rate of foreign exchange and the related crisis of international monetary system by applying Marx's thesis of the modification of law of value on the world market, as Nachtwey and Brink (2008) documented.

cause of the Eurozone crisis, especially that of the sovereign default crisis of Greece, in the increasing debt of 'periphery' countries of Eurozone, such as Greece, and the increasing deficit of the international payments of these countries, owing to their decreasing 'export competitiveness', which itself resulted from the international uneven development of productive forces and was exacerbated by the fixed foreign exchange system of Euro.[42]

Keynesian economics, including Minsky's, are mostly locked in the frame of 'one-country' and have trouble theorizing the symbiosis and contradiction between global production and global finance. By comparison, Marxian theory world market crisis has another merit, in that it considers the globalization of capitalist production as one of the main causes of the current crisis. Finally, recent responses of 'global governance', such as G20, or 'Troika' (ECB-EU-IMF), also need to be analyzed from the Marxian theory of world market crisis.

5. Concluding Remarks

Many progressives argue that the current global economic crisis resulted from the excessive neoliberal globalization of the 1980s. They also suggest social or state control of globalization – in other words, a Keynesian or state capitalist turn – as the cure for the current crisis. However, cyclical industrial crises were familiar phenomena in the mid of 19th century, long before the discourse of globalization became fashionable. Marx examined the contemporary cyclical industrial crisis and proved that they were not related with any particular form of capitalism but resulted from the inner contradictions of capitalist production system itself. Moreover, Marx defined the contemporary crisis as a world market crisis and set the concrete analysis of world market crisis as the ultimate task of the 'second half' of his Plan of Critique of Political Economy. However, most of Marxist theoreticians after Marx, have relegated the 'second half' to fields of 'stage theory' or 'empirical analysis', rather than considering and developing it theoretically. The history of Marxist theories of crisis after Marx has proceeded not as the concretization of Marx's category of

[42] Ivanova (2011) argues that the main cause of the current global crisis resides in the global imbalance rather than the US finance or housing sector; "… in the symbiotic relationship between the financialized US-centered core and the financially underdeveloped periphery, whereby the former recycles and multiplies the profits derived in the commodity-producing industries of the latter … Thus, the present crisis of financialization is merely the manifestation of a deeper crisis of the global division of labor, which generated the grave imbalance between the ability to produce and the capacity to consume. … The accumulation of surplus capital in the major manufacturing centers of the periphery and credit expansion, financial innovation and institutionalized speculation at the core are like the two sides of a coin" (Ivanova, 2011: 859, 868).

world market crisis but as attempts to derive the necessities of crisis on the level of abstraction of the ‘first half’ of Marx’s *Plan*, or even a part of it, *Capital*, as was seen in the debates between the theorists of underconsumptionism, disproportionality and the falling rate of profit. However, this paper has shown that the necessities of crisis in capitalism cannot be adequately theorized on the level of abstraction of *Capital* and argues for the necessity of a ‘logical progression’ towards the ‘second half’ based on the categories of the ‘first half’, culminating in world market crisis. In addition, this paper has re-examined the theoretical status of Marx’s category of world market crisis in his *Plan* and reconstructed the main elements of his theory of world market crisis, drawing upon his own analysis of the crisis of 1857. Finally, based on this reconstruction of Marx’s theory of world market crisis, this paper has suggested an explanation of the current global economic crisis of 2007-9. This can be explained as the outcome of the tendency of rate of profit to fall, reflected in the overaccumulation of capital, worsened by the overdetermined contradictions of production and consumption as well as of real capital and money capital on a world scale. The Marxian theory of world market crisis could not be more relevant than in the global economic crisis of 2007-9, suggesting the urgent actuality of Marx’s central thesis of ‘**world capitalism-world market crisis-world revolution’** as well as the utter detachedness of all sorts of ‘one-country’ reformist projects. Of course, the reconstruction of Marxian theory of world market crisis that this paper attempts is still at the level of hypothesis. It should be theorized more concretely and applied to the analysis of the historical and current world market crisis in later works.

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