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# Overproduction is different than Underconsumption - how? (crisis theory)

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ultraviolet

Nov 23 2012 07:11

#1

been reading up on marxist theories on the causes of crisis lately. there's a few different views, two of them are underconsumption theory and overproduction theory. for a while i thought they were different words for the same thing, but seems they are two different theories. i'm having a really hard time being able to distinguish between them. and i know that allot of other people (even marxists) get confused about this. so seems like a good question to bring up. who among ye can sort out this great mystery?

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underconsumption theory i understand (least i think i do) - basically, the workers wages get pushed down by profit maximizing capitalists (either that or **wages stagnate even as production expands**), and so there is insufficient aggregate demand to buy back all that was produced.

overproduction theory is... well, until recently i thought it was underconsumption theory.

(was going to post this on the "falling rate of profit" thread but thought it deserved its own thread.)



jura

Nov 23 2012 07:15

#2

In a way, they really are different words for the same thing. However, proponents of an overproduction theory of crises will say that "underconsumption" is a consequence of overproduction, and as such not the *cause* of a crisis, but rather a *symptom*.

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andy g

Nov 23 2012 08:51

#3

TBH I have never really distinguished the two, seeing purchase and sale are sides of the same process (and no I am not advocating Say's law!). Both seem to focus on the realisation of surplus value as the cause of crisis, hence tending to focus on the circulation "moment" of the turnover process. Leaves them liable to reformist inflections IMO - demand management and/or guided investment alleviating tendency to crisis.

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Alf

Nov 23 2012 12:57

#4

Rosa Luxemburg, who was certainly a proponent of 'overproduction' in that she argued that capitalism could not realise all the commodities it produced within its own relations of production, rejected 'underconsumptionism' and criticised Kautsky for using the term. I think the difference is that while Rosa - and I think she was consistent with Marx on this - saw overproduction as a **consequence of the wage labour relationship, of the production of surplus value, and thus not subject to reforms, 'underconsumptionism' thinks you can solve the crisis of overproduction simply by raising wages**

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ocelot

Nov 23 2012 14:50

#5

I would see "underconsumptionism" as a more specific term than "overproduction". That is, you could have someone who rejected underconsumptionism arguing for a crisis of overproduction.

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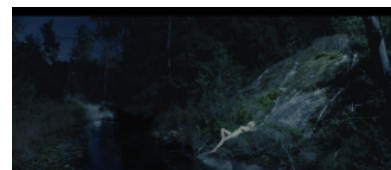
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The difference is in the underlying mental model of how the economy functions. In the "consumptionist" model, every production process is part of a chain that sooner or later ends with individual consumers. That is, if the aggregate demand (to use the Keynesian phrase) of the individual consumers purchasing power is not enough to buy the results of all the production chains, then an underconsumptionist crisis results.

Underconsumptionist arguments based on the idea that the workers getting paid less than the value they produce, meant that capitalism suffered an inherent underconsumption problem, have actually been around since the dawn of the socialist/communist movement in the 1820s. Many of the Owenites, argued this. The problem, of course, is that they could always explain the crash, but never the recovery. So they predicted that the economic recessions of 1824 and 1832 were the "final crisis" of capitalism. And underconsumptionist socialists have basically been doing the same in every recession ever since (which could be one of the reasons why no one listens to them anymore).

The alternative to the consumptionist model is either a non-equilibrium model or a corporate-consumer model, usually a combination of both. By corporate-consumer model, I mean the idea that most of the outputs of production are purchased and consumed by corporations, without ever passing into the hands of private consumers, or necessarily being incorporated into the "body" of something that will end up as a consumer good, further down the line. Briefly, even if the private consumers can't buy all the results of production, so long as corporations demands are growing enough to consume the results of production, no crisis of underconsumption need occur. The non-equilibrium bit, just means that capitalist production is a never-ending process, so that the "big pile of all products versus workers wages" logic that Luxemburg uses, would be invalid, even if it wasn't underconsumptionist in the sense of ignoring corporate consumption.

But even if you accept the important role of corporate consumption (and the fact that PMIs are currently the best leading indicator of growth figures, rather than household income figures, would argue for that, I submit) and non-equilibrium rationality, that still wouldn't necessarily prevent you from arguing that a crisis was a crisis of overproduction.

Of course, as I mentioned on the other thread, Mandel, in his intro to the Penguin edition of Vol II, makes a (to me anyway) convincing case that Marx argue that of course crises had to manifest in the form of appearance of overproduction, given that if all output could be sold, there'd be no crisis. So the big question remains, overproduction: cause or symptom?

Finally, although to develop this point here would be a derail - personally I think that the move from a consumptionist to a corporate-consumptionist mental model is not the last step in the unfolding chain of determinations, there is at least the financial determination as well (i.e. the relation between corporations and the capital market).

---

andy g

Nov 23 2012 15:45

#6

good points Alf and ocelot, I s'pose on reflection the distinction has more significance than I thought. Will have to re-read the Ernie "Fastest Milkman" Mandel intro - I remember (vaguely) a bit in his *The Second Slump* where he argues against the "underconsumption/over-accumulation" antithesis, saying that given the different forms capital assumes in its circuit of self-expansion an overaccumulation of productive capital is always simultaneously an overproduction of commodity capital. Is that the gist of it?

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ultraviolet

Nov 23 2012 17:57

#7

thanks ocelot for explaining to us why underconsumption theory is flawed. i've been exposed to similar arguments before, and so underconsumption theory is the least convincing to me of all the marxist theories on crisis.

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i still don't understand what overproduction theory is, though. i do understand rosa luxemburg's version of overproduction theory, (thank you to alf for bringing that up,) but i've heard this is a marginal view which most marxists have rejected. not arguing it deserves (or doesn't deserve) to be rejected, just saying that her views are different than the standard definition of overproduction theory. and it's the more common definition that i'd like to understand.

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ultraviolet

Nov 23 2012 19:13

#8

google helped me find this blog article which explains, from the author's perspective, what overproduction means, and why it's different from underconsumption. here's an excerpt. what are other people's opinions? does this sound like an accurate description of overproduction theory?

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<http://thecommu.co.uk/2012/10/06/underconsumption-and-overproduction/>

**Quote:**

*When profit rates are good & business is booming, credit is easy to obtain. The issue of credit actually supports reported profit rates because people & businesses are purchasing not just with money but with the credit issued. This causes a bubble, particularly in asset prices such as shares & property. As we saw in recent decades as house prices increase an expectation of constant increases develops. Credit fuels prices & profits which fuels more credit & so on. Banks & other finance capitalists over-lend. Chuck Prince, the CEO of Citigroup, famously said, "When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing." This captures the essence of the theory of overproduction. It is credit that enables production to get ahead of the market, or in otherwords, supply to get ahead of demand. As debt saturation is reached & financiers realise they may not get their money back, there's a credit crunch & financial crisis. High rates of profit turn negative & capital is devalued. The capitalist survivors get bankrupted businesses at rock-bottom prices. It is this capital devaluation – the recession – that restores the rate of profit & lays the foundation for the next boom.*

*This theory of overproduction is quite different to underconsumptionism. It requires a mastery of money to know that money & credit are two different things. That money is the form of value that is labour time & that credit is claims on future labour time that may not be realised. Marx was a master of money. Unfortunately, many so-called Marxists are not & fall into the underconsumptionist trap, just as Flanders did.*

and, also by the author, but from the comments section:

**Quote:**

*I was trying to show that although Marx would accept that a crisis of underconsumption was possible, that it really is credit/debt that lies behind the overproduction (too many commodities relative to the amount of money) which results in the rate of profit being artificially supported & then collapsing. This is totally separate from the falling rate of profit caused by the rise in the organic composition of capital, at least from a theoretical perspective. In reality it may well be that the falling rate of profit due to the rise in the organic composition of capital actually led to the creation of the current fiat money regime & the subsequent financialisation (credit boom).*

S. Artesian

Nov 23 2012 20:27

#9

**Quote:**

*That is, you could have someone who rejected underconsumptionism arguing for a crisis of overproduction*

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That would be me. Marx is quite explicit in, and repeatedly, rejects "underconsumptionist" explanations, while advancing overproduction as the singular characteristic of capitalist crisis. To my reading what Marx is getting at in this distinction is that the overproduction of commodities is identical to the overproduction of the means of production as capital... that is to say, the expansion of the means of production to the degree that the rate of profit declines.

The explanation offered by the commu.co.uk, channeling Chuck Prince, is but an iteration of Minsky's "excess" theory, a take on Greenspan's "irrational exuberance." Sounds neat, doesn't explain much. Look at what Prince is saying: "But as long as the music is playing, you've got to get up and dance. We're still dancing." Sure, Chuck. Just one question-- "What causes the music to stop playing? As a matter of fact, two questions. What causes the music to start playing in the first place.

In the end, all Chuck and commu.co.uk have to offer is.....underconsumption. Really:

This captures the essence of the theory of overproduction. It is credit that enables production to get ahead of the market, or in other words, **supply to get ahead of demand**. Bold added.

Supply ahead of demand is underconsumption.

And tracing the "origin" to the credit system is equally faulty:

As debt saturation is reached & financiers realise they may not get their money back, there's a credit crunch & financial crisis.

Sure thing, commune. Just one question, what determines when debt is at saturation levels? Like 20:1 was unsaturated, but 30:1 is saturated? And when the level of debt increases dramatically, declines modestly, and then resumes its upward climb exceeding what you consider to be the old saturation levels, and the economy doesn't implode.... what do we say then? We have "elastic" saturation levels? Oops, multiple questions again.

And credit crunch? Let me quote the gov of the Bank of England on the European debt crisis: "It's not a liquidity crisis, it's a solvency crisis."

We have to understand what causes profitability to decline., what causes the profitability of the production process to decline.



ultraviolet  
Nov 23 2012 21:30

#10

so if i understand s. artesian correctly, "overproduction" = "overproduction of the means of production" -- because they have been overproduced to the point of lowering the rate of profit so far down that it causes crisis. or in other words, overproduction theory is the same as the falling rate of profit theory.

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do you agree that my above paragraph is a successful summary of overproduction?

here's an excerpt from the socialist party of great britain with yet another take on what "overproduction" means. is it just me, or does this sound to you allot like "disproportionality" theory? (which is yet another marxist crisis theory.)

<http://www.worldsocialism.org/spgb/socialist-standard/2010s/2010/no-1273-september-2010/cooking-books-1-overproduction-or-underconsumpt>

#### Quote:

*Overproduction occurs when too much of some good has been produced in relation to the market demand for it (not the same as the real need for it). It can affect any type of good – raw materials, steel, ships, consumer goods, anything.*

*Underconsumption has been defined in various ways but all have in common the view that consumer (paying) demand is too low.*

*Cruder versions of underconsumption argue that, because workers cannot buy back all they produce, a chronic shortage of purchasing power is built-in to capitalism requiring, for instance, exports to bridge the gap. It is true that workers cannot buy back all they produce but total paying demand is not made up just of what workers buy; it also includes what capitalist firms buy (raw materials, buildings and equipment, finished and semi-finished products).*

*More subtle versions argue that because the share of consumer demand in total demand is too low this prevents sustained, balanced growth. On this theory a crisis is precipitated when the production of consumer goods increases faster than consumer demand, which is mainly that of wage and salary workers.*

*A crisis can be triggered by such an overproduction of consumer goods, and a case can be made out for this being a factor in 1929, but this is not the only way a crisis can be triggered. Overproduction in any sufficiently important sector of the economy can do this. This is why it can be said that overproduction (not underconsumption) is the cause of crises, as the anarchic, competitive struggle for profits leads to the total production of capitalist firms in a particular sector coming to exceed the paying demand for its products and this having a knock-on effect throughout the economy.*



devoration1  
Nov 23 2012 21:54

#11

The most important difference to me is what Alf mentioned,

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"'underconsumptionism' thinks you can solve the crisis of overproduction simply by raising wages". Kliman dedicated a large portion of, "The Failure of Capitalist Production," to outlining and arguing against the various underconsumptionist theories and policy decisions which flow from underconsumptionism (specifically the chapter, "The Underconsumptionist Alternative."). The problem I have with his characterization is that of Luxemburg, who he more or less treats as the originator of an underconsumptionist (in opposition to the LTFROP) view of capitalist crisis.

For the underconsumptionists, the crisis of capital is fixable through policy (the minimum wage be set at the living wage levels and indexed to inflation). I think Luxemburg added to the Marxist tradition and argued that capitalism can suffer from a crisis of overproduction (something that cannot be altered through policy or regulation)- the remaining question is whether or not the theory of overproduction is an additional means of understanding capitalist crisis (and complementary to the LTFROP- something I'm trying to figure out) or is itself an alternative to FROP theories of capitalist crisis (something that I don't think any communist organization is a proponent of, even the 2 'Luxemburgist' internationals).

S. Artesian  
Nov 23 2012 22:22

#12

**UV wrote:**

*do you agree that my above paragraph is a successful summary of overproduction?*

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Which paragraph are you referring to? If you mean your summation of my take on overproduction-- I would amend it modestly: overproduction = the overproduction of the means of production as *capital*; as *values* that must aggrandize living labor at a sufficient intensity of exploitation to yield profit. But yes, for capitalist accumulation as a whole, as opposed to any individual capital, overproduction and the FROP are/or become identical.

Regarding the SPGB, once again they seem to think the issue is "supply and demand," and to me supply and demand is the great mantra of bourgeois political economy-- a meaningless phrase that when chanted repeatedly calms the mind of the acolyte.

Supply and demand describe everything and explain nothing. Both are manifestations of the underlying profitability in the accumulation process.

I know my take on OP is a bit idiosyncratic-- I have lots of idiosyncratic positions-- but it tracks pretty well with what has happened in capitalism-- and not just US capitalism; and not just the advanced capitalist countries.

Re Rosa-- here's another idiosyncratic position in that 1) I think her argument is exactly one of underconsumption. In her *Accumulation of Capital* she identifies, IIRC, the antagonism or contradiction of whatever in capitalism as that between production and consumption 2) I think her argument is the first exposition of "disproportionality"-- certainly was the first one I came across, although it was only later that I realized that's what she was arguing 3) at core, all disproportionality theories are theories of underconsumption-- after all what is the disproportion between Dept 1 and Dept 2? It is between production of the means of production and production of the means of consumption.

Again IMO, the best exposition of disproportionality theory, so good that if the author didn't remind you that he was essentially talking about underconsumption you would buy into it, is [Maksakovsky's \*The Capitalist Cycle\*](#). I cannot recommend that book enough, despite my disagreement with it. How's that for idiosyncratic?



ultraviolet  
Nov 23 2012 23:39

#13

**devoration1 wrote:**

*The most important difference to me is what Alf mentioned, "'underconsumptionism' thinks you can solve the crisis of overproduction simply by raising wages".*

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ahah! that makes sense to me. i guess when i read alf's post i overlooked how that statement revealed the distinction between underconsumption and overproduction theory. or at least of this particular interpretation of overproduction theory. because as i've learned there seem to be about as

many marxist interpretations of overproduction as there are marxist theories of crisis!

**s. artesian wrote:**

*Which paragraph are you referring to? If you mean your summation of my take on overproduction-- I would amend it modestly: overproduction = the overproduction of the means of production as capital; as values that must aggrandize living labor at a sufficient intensity of exploitation to yield profit. But yes, for capitalist accumulation as a whole, as opposed to any individual capital, overproduction and the FROP are/or become identical.*

yep, that's what i meant. thanks for clarifying. 😊

**=s. artesian wrote:**

*Re Rosa-- here's another idiosyncratic position in that 1) I think her argument is exactly one of underconsumption.*

maybe her theory and other theories that don't believe wages can reverse underconsumption should not be called "underconsumption theory" but instead be called "unreformable underconsumption theory" (or something like that). although i see how it is technically an underconsumption argument, i don't think it's fair to place them in the same category as underconsumptionists who think keynesian reforms (aggregate demand stimulation by government, raising wages, etc.) will be able to save the day. this would also apply to the guy who wrote that article from "the commune" which i quoted in an earlier post.



jura  
Nov 24 2012 07:22

#14

The book by Maksakovsky (~ 28 MB)

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<http://www28.zippyshare.com/v/46040676/file.html>

<https://rapidshare.com/files/3197047127/Maksakovsky.zip>

Replace × by .



Alf  
Nov 24 2012 15:14

#15

This article tries to explain why Marx considered the problem of overproduction to be at the heart of capitalism's self-contradictory nature. There's obviously a lot more to be said, in particular the link between 'markets' and 'falling profit rates', which is touched upon in this thread in the point about the overproduction of capital being also the overproduction of commodities, made by Andy and Artesian.

Marx lambasted the bourgeois economists who tried to deny one of these two elements while accepting the other.

<http://en.internationalism.org/ir/139/decadence>

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ernest  
Nov 24 2012 19:47

#16

I fully agree with Artesian's recommendation of Maksakovsky book. It is an excellent introduction to the whole question of the capitalist cycle from which we can all learn a lot.

On overproduction, we need to be very careful about the use of the word overproduction. Marx was explicit about the need for there to be permanent overproduction in order that accumulation can take place. Without it where is the new machinery, food etc going to come from: accumulation is viewed as simply being a matter of production only take place when there is an order!

Thus, overproduction in itself is not the problem. The problem is when overproduction cannot be absorbed back into accumulation and that only takes place if the rate of profit is sufficient to enable more accumulation to take place. Yes commodities have to be sold, or at least exchanged for credit or for other goods, but they money gained then needs to be reinvested for realization to take place.

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S. Artesian  
Nov 24 2012 21:13

#17

^Word. That overproduction is necessary, essential to accumulation is a vital point.

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ajohnstone  
Nov 25 2012 10:05

#18

This may be of interest in this debate.

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<http://www.countercurrents.org/cramer180111.htm>

**Quote:**

*"Bourgeois theorists will insist that consumer demand of the working population is what drives Capitalist production. It is clear that many of these well intentioned spokespersons actually believe what they are saying...*

*If a feudal lord were to have told his serf, that the sole purpose of his exploitation was to enable his lord to provide the serf with the material goods necessary to maintain an acceptable level of poverty, the serf would have thought the lord insane. Likewise, if an African slave had been told by the American plantation owner that his enslavement and low standard of living was necessary so that the plantation could produce what the slave needed for survival, she would have thought her master crazy.*

*But for some reason, laborers exploited by Capitalists are suppose to believe that the accumulation of vast resources, enormous factories, state-of-the art ports, refineries, etc., etc., owned by the Capitalists are necessary for, and simply serve the purpose of producing what working people need to survive and maintain an acceptable standard of living. It is all done for us, and it all comes back to us working people. If that sounds absurd to you, maybe the following will more clearly reflect your reality:*

*Yes, under the Capitalist system of production and distribution, "consumer goods" sufficient for the the employed labor force to survive (at a more or less acceptable standard of living), is necessary. However, Capital expansion and production of real, material "producer goods"--- such as industrial machinery, factories, infrastructure, technology, planes, company limos, corporate cars, trucks, freight trains, ships, docks, commercial ports and transport of all kinds, along with the communications centers, security apparatus, administrative compounds, together with the pipelines, refineries, natural resources, raw materials and fuel to operate this enormous, global empire---make up the larger part of material production and privately-owned accumulated wealth in this nation and globally; and these tremendous means of production are neither consumed by nor owned by the workers who produce them. Under a system of Capitalist production, exploitation of a labor force that produces much more than it consumes is the essential source of real profits. It is production and expansion of the enormous, modern industrial Capitalist empire that is the aim of Capitalism (and all those who identify as successful competitive players in this deadly game), not increased consumption of goods and services for working people. The latter is the necessary "spin-off" so to speak, until those workers themselves are no longer deemed "necessary."*

This is also reflected by the Trotskyist position as advanced by Greg Sharzer

**Quote:**

*First, wages don't create all demand: they're just one way for capitalists to realize the capital invested in commodities (...) Most people encounter the market when they shop, so it seems natural to believe that capitalism exists to satisfy our consumer needs. But while the market in consumer goods is constantly on display, exploitation is hidden. Workers matter as workers, the source of surplus value: they're only able to receive and spend a wage if their employer makes a profit first. Moreover, capitalist production creates capital goods that only business buys: the machinery and building materials that go into factories, offices and other sites of exploitation. Capital has to consume materials at all stages of the production process. Machines increase production, making more machines necessary and increasing the importance of industries producing the means of production. There are huge areas of the economy off-limits to workers' spending power. (...) Even if localist missionaries convinced all workers that local consumption could change the world, workers could, at best, change the conditions of production for their own housing and durable goods, a small portion of the capital circuit." (pp. 32-3)*

*Greg Sharzer, "No Local. Why Small-Scale Alternatives Won't Change the World" .*

Marx pointed out (in Volume 2 of Theories of Surplus Value:

**Quote:**

*The word over-production in itself leads to error. So long as the most urgent needs of a large part of society are not satisfied, or only the most immediate needs are satisfied, there can of course be absolutely no talk of an over-production of products— in the sense that the amount of products is excessive in relation to the need for them. On the contrary, it must be said that on the basis of capitalist production, there is constant under-production in this sense. The limits to production are set by the profit of the capitalist and in no way by the needs of the producers. But over-production of products and over-production of commodities are two entirely different things.*

Marx himself noticed:

**Quote:**

*It is sheer tautology to say that crises are caused by the scarcity of effective consumption, or of effective consumers. The capitalist system does not know any other modes of consumption than effective ones, except that of sub forma pauperis or of the swindler. That commodities are unsaleable means only that no effective purchasers have been found for them, i.e., consumers (since commodities are bought in the final analysis for productive or individual consumption). But if one were to attempt to give this tautology the semblance of a profounder justification by saying that the working-class receives too small a portion of its own product and the evil would be remedied as soon as it receives a larger share of it and its wages increase in consequence, one could only remark that crises are always prepared by precisely a period in which wages rise generally and the working-class actually gets a larger share of that part of the annual product which is intended for consumption. From the point of view of these advocates of sound and "simple" (!) common sense, such a period should rather remove the crisis. It appears, then, that capitalist production comprises conditions independent of good or bad will, conditions which permit the working-class to enjoy that relative prosperity only momentarily, and at that always only as the harbinger of a coming crisis.*

Regards Artesian's comment, the SPGB crisis position is based upon the "anarchy of production" which if you wish to take a swipe at them this can be simplistically described as "supply and demand" - producers not knowing that there is a buyer for their commodities until after they have been put on the market and giving rise to disproportionate growth. This is, of course, not defence for some form of central planning!!

---

baboon

#19

Nov 25 2012 11:40

But overproduction is a problem within the framework of developing capitalism isn't it Ernest?

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Jehu@rethepeople

#20

Nov 25 2012 21:45

As Marx employed the term, overproduction is the overproduction of capital. Often the term overproduction is simplistically limited to the commodity form of capital. However, it is not limited to the overproduction of commodities but includes all forms of capital, including commodities. Nor is it the inverse of underconsumption as many argue -- which only applies to variable capital (labor power).

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When speaking of overproduction, I try distinguish what I am talking about from the vulgar version (commodity overproduction) by speaking of overaccumulation of capital, which is another term Marx employs in volume three of Capital. Marx discusses overaccumulation of capital at length in chapter 15 of that volume. It is the overproduction/overaccumulation of capital that produces crises and ultimately the demise of capital.



Alf

#21

Nov 26 2012 14:02

Ernest wrote:

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*"Marx was explicit about the need for there to be permanent overproduction in order that accumulation can take place. Without it where is the new machinery, food etc going to come from: accumulation is viewed as simply being a matter*



*of production only take place when there is an order! Thus, overproduction in itself is not the problem".*

I agree that overproduction is at one level a "form of development" for capital, and thus, as you say, essential for accumulation to take place. But even in the youth and heyday of capitalism, this form of development also revealed itself as a "fetter". Hence Marx in the Communist Manifesto saw it as a harbinger of doom. In capitalism's old age, it has become a more or less permanent fetter.

*"The problem is when overproduction cannot be absorbed back into accumulation and that only takes place if the rate of profit is sufficient to enable more accumulation to take place. Yes commodities have to be sold, or at least exchanged for credit or for other goods, but they money gained then needs to be reinvested for realization to take place".*

The money certainly has to be reinvested, but "selling the commodities" does not always happen quite as easily as you imply.



ocelot  
Nov 26 2012 16:05

#22

#### ultraviolet wrote:

*as i've learned there seem to be about as many marxist interpretations of overproduction as there are marxist theories of crisis!*

Word.

That bit of Volume 2 (Pt. III, Ch 20, "Simple Reproduction", [section IV](#)) that aij posted above, has a note from Fred appended:

#### Quote:

*It is sheer tautology to say that crises are caused by the scarcity of effective consumption, or of effective consumers. The capitalist system does not know any other modes of consumption than effective ones, except that of sub forma pauperis or of the swindler. That commodities are unsaleable means only that no effective purchasers have been found for them, i.e., consumers (since commodities are bought in the final analysis for productive or individual consumption). But if one were to attempt to give this tautology the semblance of a profounder justification by saying that the working-class receives too small a portion of its own product and the evil would be remedied as soon as it receives a larger share of it and its wages increase in consequence, one could only remark that crises are always prepared by precisely a period in which wages rise generally and the working-class actually gets a larger share of that part of the annual product which is intended for consumption. From the point of view of these advocates of sound and "simple" (!) common sense, such a period should rather remove the crisis. It appears, then, that capitalist production comprises conditions independent of good or bad will, conditions which permit the working-class to enjoy that relative prosperity only momentarily, and at that always only as the harbinger of a coming crisis. **[Ad notam for possible followers of the Rodbertian theory of crises.—F.E.]***

The marxists.org [Rodbertus page](#) has a nice succinct resumé of said crisis theory. Including a scathing but amusing assessment by Schumpeter.

#### Quote:

*Perhaps more importantly, Rodbertus theory of crises was based upon the naive idea that overproduction results from workers being unable to buy back what they have produced because their wages are too low. Despite explicit warnings from Engels, direct criticism of underconsumption theories in Anti-Duhring (here and here) and Capital 2, and implicit refutation by the analysis of reproduction in Part III of Capital 2, this simple, 'obvious' and wrong theory continues to rear its head. As Schumpeter remarks of Rodbertus theory of crisis, it is '**a type of underconsumption theory that should be, but unfortunately is not, beneath discussion.**' (History of Economic Analysis, p507).*

The writer clearly had in mind H.L. Mencken's famous dictum that "there is always a well-known solution to every human problem — neat, plausible, and wrong".

But it's certainly a "neat, plausible, and wrong" theory of crisis that was around long before Luxemburg, and even Rodbertus - going back to the original socialists of the 1820s (Owen, Gray, etc).

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