

FROM CAPITALIST REFORM TO SOCIALIST TRANSITION: MARXIAN HYPOTHESIS REVISITED IN THE 21ST CENTURY

By

AKM Ghulam Hussain & Nigar Nargis

PART1-

MARXIST PATH: FROM CAPITALISM TO SOCIALISM

- In Marx's framework,
 - Law of capital accumulation would lead to incremental extraction of surplus value and under-consumption causing business cycle under capitalism
 - Through the structural maintenance of a certain level of unemployment , wages are kept in line with the needs of accumulation.
 - Thus a continuous creation of reserve army or surplus labor force would push the wage income down to subsistence level.
 - Inequality would increase and economic polarization of working class and bourgeoisie class would reach its peak.
 - Acute inequality would eventually lead to class struggle in the advanced industrialist countries.

EVIDENCE OF MARXIAN HYPOTHESIS

- **Proof of Immiseration Thesis (UK)**
- **Inequality of Income and wealth**
- **Business Cycle**
- **Disease Burden**
- **Quality of life-Life expectancy, GDB**

Proof of Immiseration Thesis (UK)

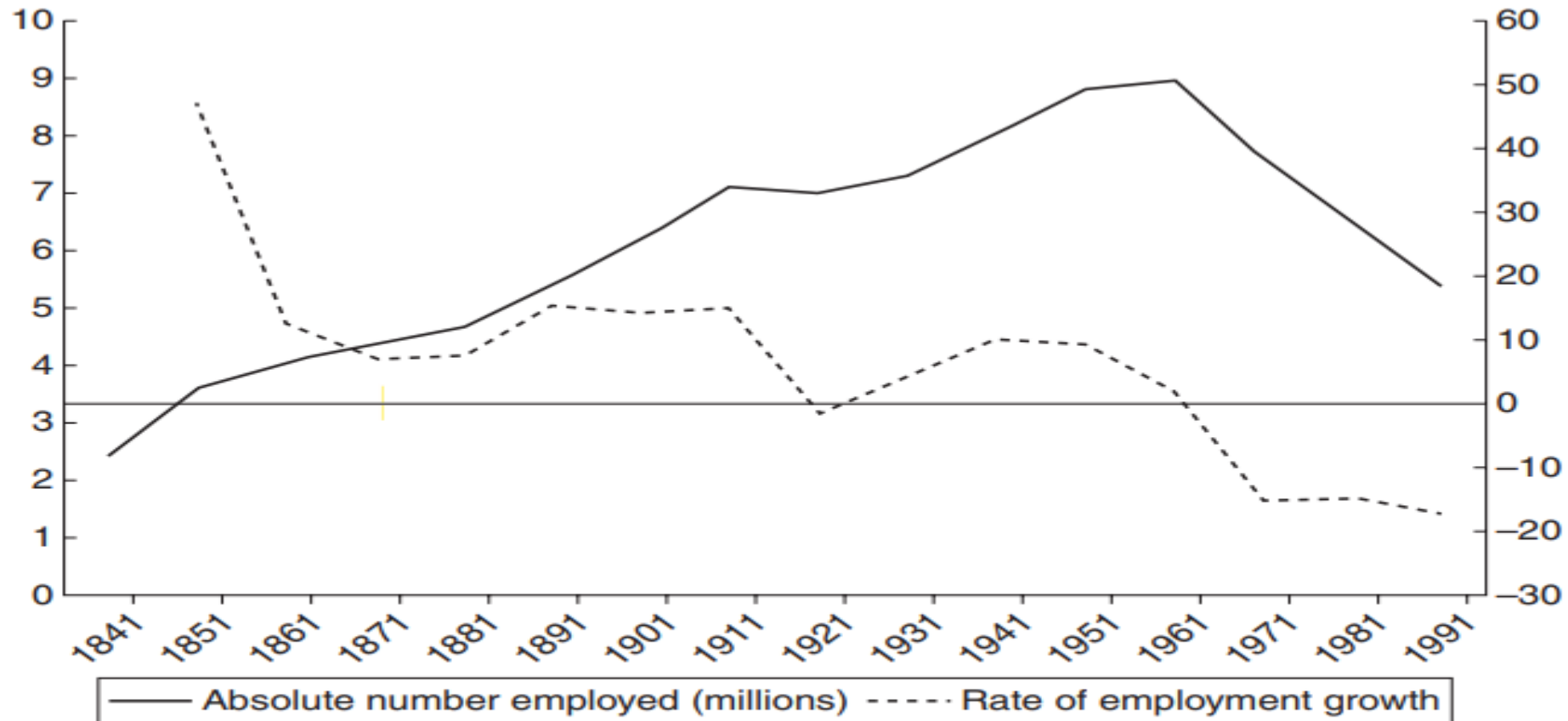


FIGURE 34.1 *Employment in UK Manufacturing: 1841–1991.*

Source: Brian Mitchell, International Historical Statistics: Europe, 1750–2005

(Belmont: Macmillan, 2007)

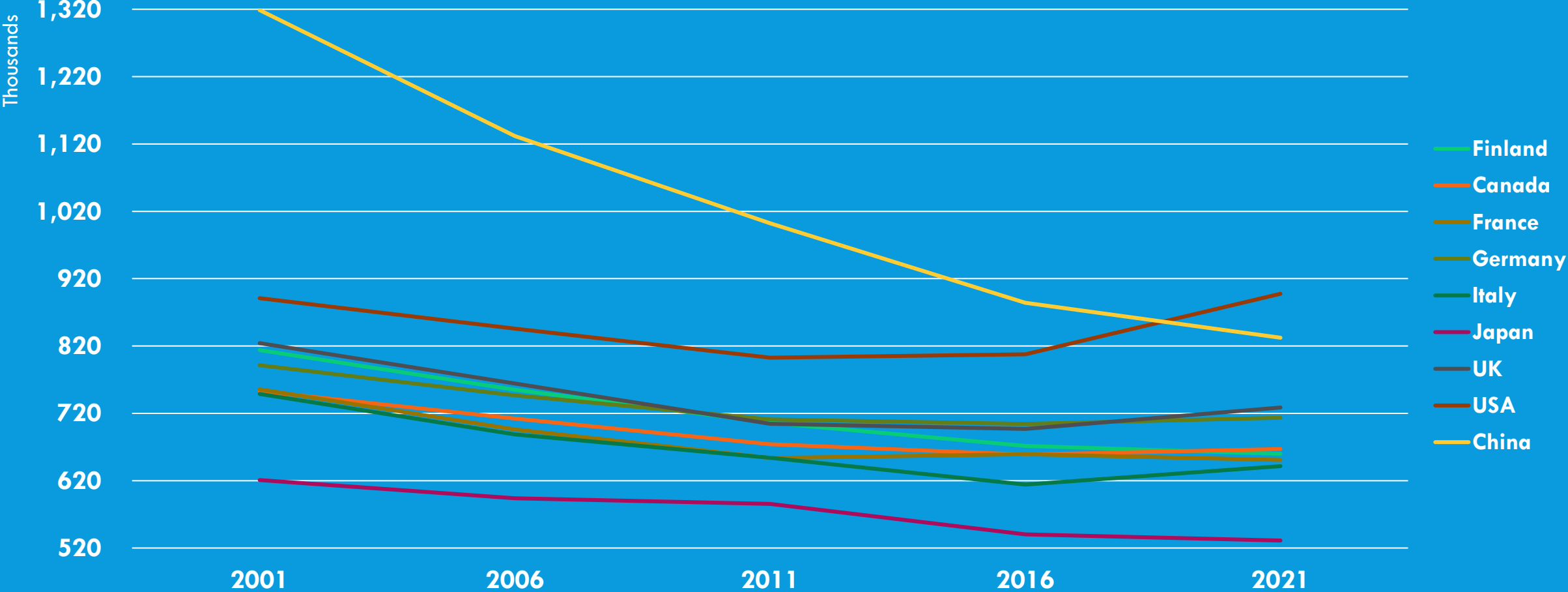
INCOME AND WEALTH INEQUALITY (UPDATED FROM PIKETTY)

	Income inequality (Gini)						
year	Canada	France	Germany	Italy	Japan	UK	USA
1970	0.28	0.25	0.27	0.30	0.25	0.26	0.39
2000	0.30	0.30	0.28	0.32	0.31	0.34	0.41
2020	0.33	0.29	0.31	0.34	0.33	0.35	0.41
	Wealth inequality (Gini)						
1970	0.70	0.56	0.60	0.68	0.45	0.60	0.70
2000	0.75	0.63	0.73	0.73	0.52	0.68	0.80
2020	0.78	0.63	0.77	0.73	0.56	0.70	0.85

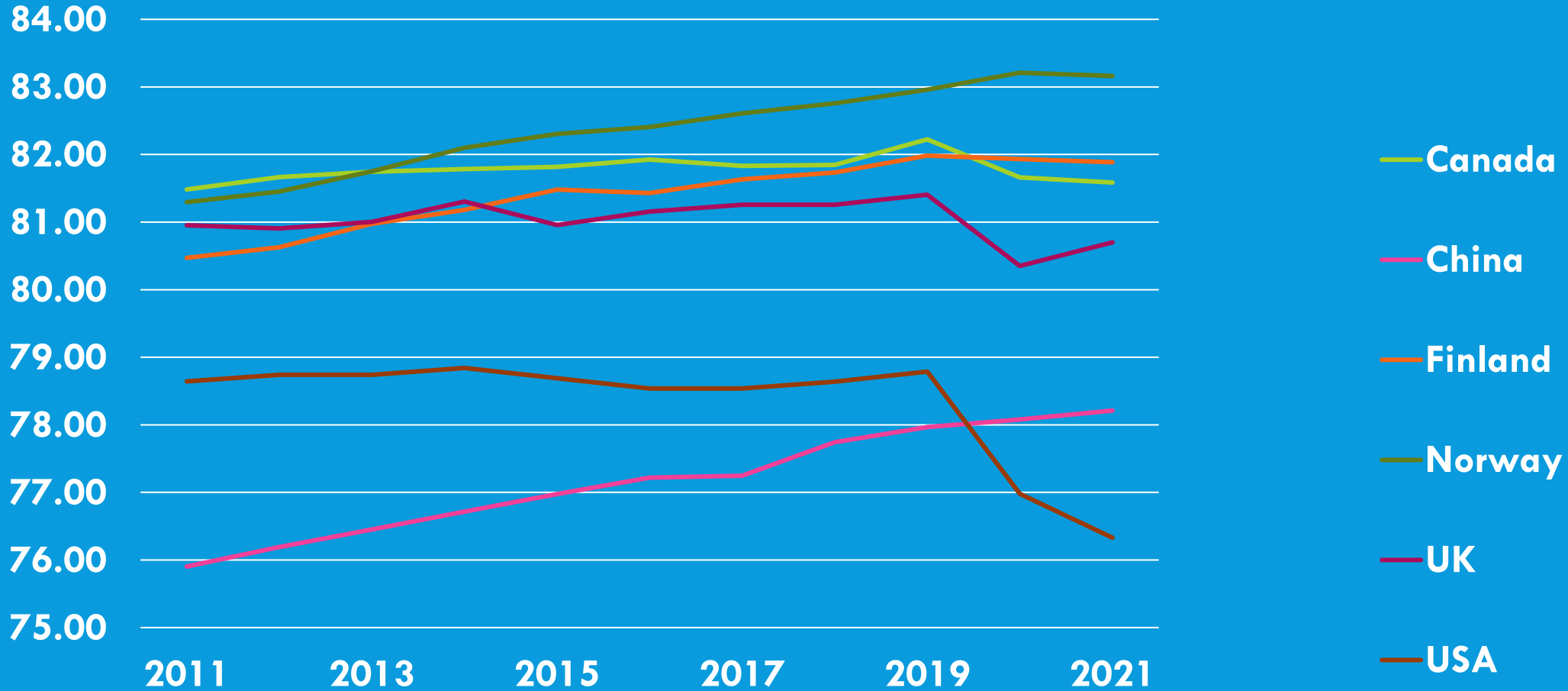
DURATION OF BUSINESS CYCLES IN FOUR COUNTRIES, YEARLY, 1854-1982

	USA	UK	France	Germany
Period	<i>1854-1982</i>	<i>1854-1938</i>	<i>1865-1938</i>	<i>1879-1932</i>
No. of cycle	30	16	17	10
Average cycle duration	4.27	5.25	4.56	5.30
Average expansion time	2.75	3.08	1.25	3.08
Average contraction time	1.50	2.17	1.83	2.25
Average P-P duration	4.25	5.33	5.08	5.33

TRENDS OF GLOBAL DISEASE BURDEN ACROSS CAPITALIST, SOCIAL WELFARE AND DEVELOPING COUNTRIES



TRENDS OF LIFE EXPECTANCY ACROSS CAPITALIST, SOCIAL WELFARE AND DEVELOPING COUNTRIES



PART 2: MY CONJECTURES

- Based on previous data and results, I made two conjectures as below.
- Highly Industrialized countries reached its peak of exploiting working class at home. Recent data show that any further extraction of surplus value might trigger social crises .
- =>Therefore, the advanced economies extended their boundary of surplus value extraction from national to global sphere, especially the Global South. That implies, capitalism is reproducing itself inhaling oxygen from cross-border exploitation.
- Secondly, government manages to increase purchasing power of the working class by importing cheap goods and services from the Global South.

GENERAL MODEL: CAPITALIST REPRODUCTION

- Basic Model:

- $NL + SL = L \Rightarrow NL.a + SL.a (= \sum(SSCP)) = L.a \dots\dots\dots(1)$

- $\Rightarrow NL.a \cdot \left(\frac{w_d}{w_f}\right) \cdot \left(\frac{p_d}{p_f}\right) + SL.a (= \sum(SSCP)) = L.a \dots\dots\dots(2)$

- Equation 1 presents the wealth distribution between working class and the subsume class.

- The model is based on few assumptions such as:

1. The economy is considered to be in full employment economy where no extra resources are available in the matured capitalist system.
2. Prices of goods and services at home and abroad are different.

CRISIS: CAPITALIST REPRODUCTION

• $NL + SL = L \Rightarrow NL.a + SL.a (= \sum(SSCP)) = L.a \dots\dots\dots(1)$

• The equilibrium condition in equation 1 could be disturbed by three factors;

1. Higher taxes by the government. $\Rightarrow SL.a (< \sum(SSCP))$

2. Rising cost of living for both working class and working managerial class. $\Rightarrow SL.a (< \sum(SSCP))$

3. Rising debt service and exhaustion of natural resources. $\Rightarrow SL.a (< \sum(SSCP))$

In all three cases, subsume class processes exceed the surplus value.

PART 3: HOW CAPITALISM IN THE ADVANCED ECONOMY IS MANAGING THE REPRODUCTION OF ITSELF

- **Open Economy set up**

- $\Rightarrow NL. a. \left(\frac{w_d}{w_f}\right) \cdot \left(\frac{p_d}{p_f}\right) + SL. a (= \sum(SSCP)) = L. a \dots\dots\dots(2)$

- Following equation 2, we have 3 situations:

1. $w_d > w_f$
2. $p_d > p_f$
3. Both 1 and 2 happen at the same time

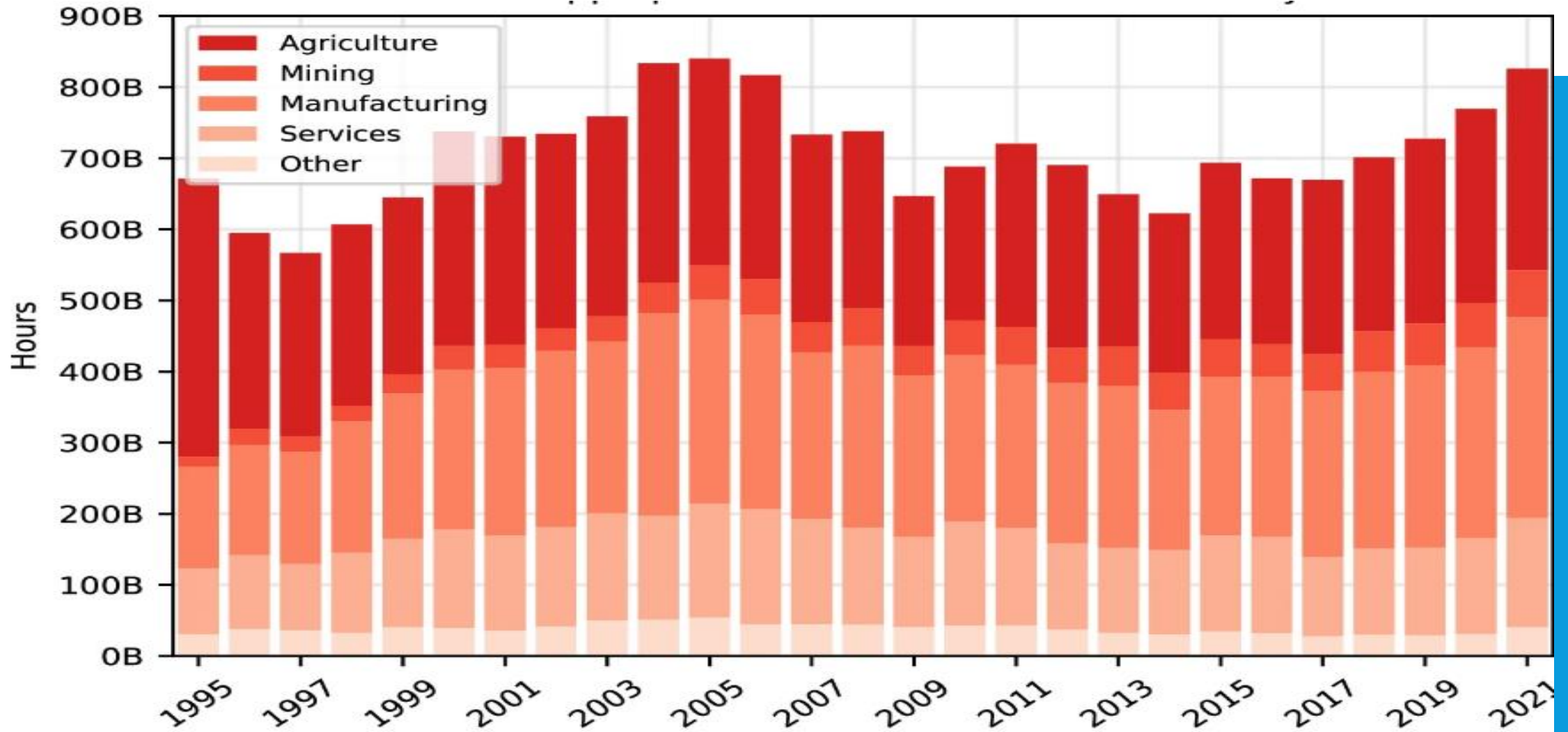
- In all three cases import of cheap goods through direct import or out-sourcing would increase the ppp of the working class and working middle class.=> So class formation and class struggle could be disorganized and delayed for the time being.

- Statistics presented in the following slides are in favor of my conjecture.

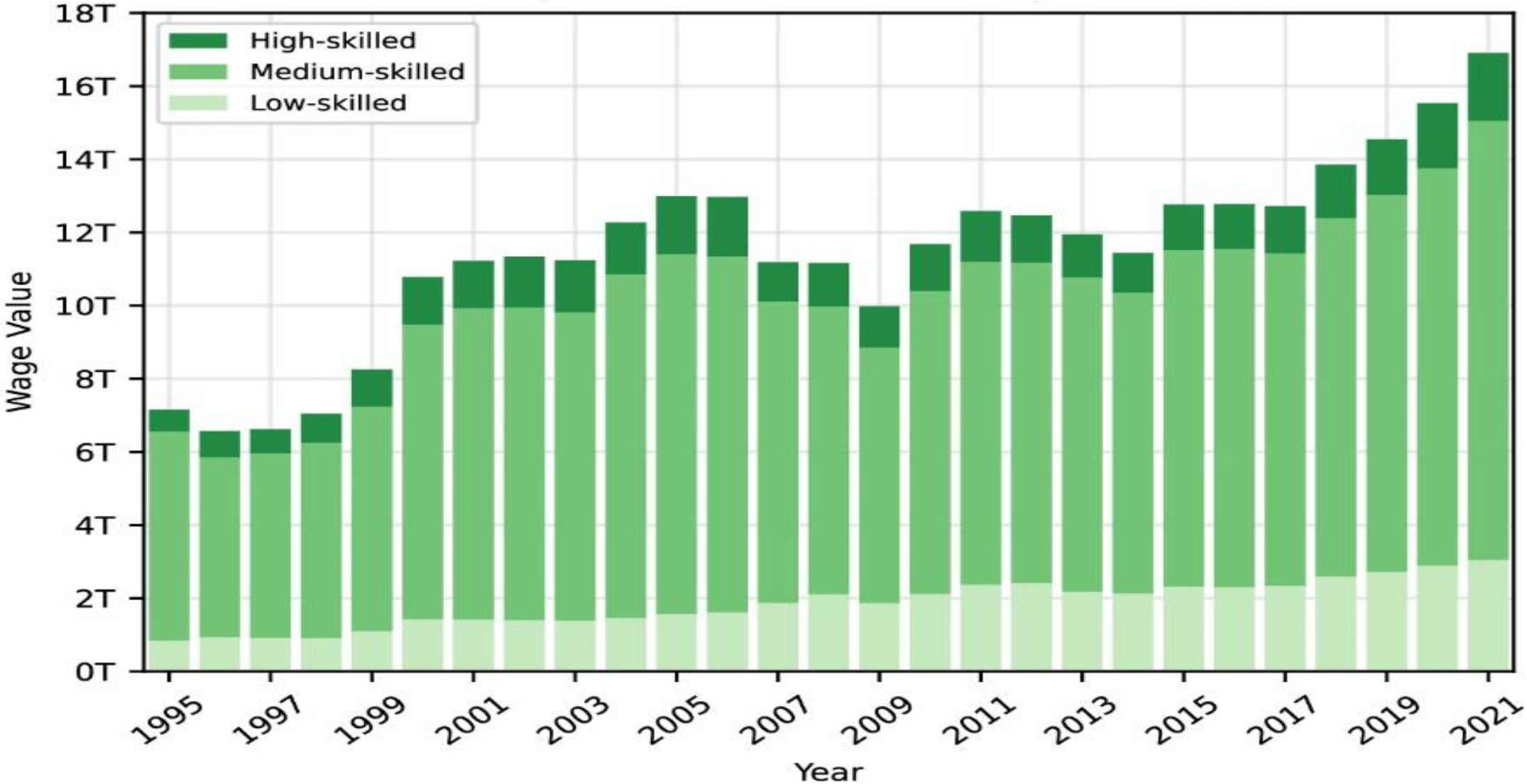
OUT-SOURCING

	Estimated value (Billion \$)						
Year	France	USA	Canada	UK	Germany	Italy	Japan
1991	\$40	\$60	\$30	\$40	\$50	\$20	\$30
1995	\$60	\$85	\$45	\$60	\$70	\$30	\$50
2000	\$90	\$120	\$70	\$80	\$100	\$50	\$80
2005	\$120	\$150	\$90	\$110	\$130	\$70	\$100
2010	\$150	\$240	\$120	\$150	\$180	\$90	\$120
2015	\$180	\$280	\$150	\$180	\$210	\$120	\$150
2020	\$200	\$300	\$180	\$200	\$250	\$140	\$170
2022	\$220	\$320	\$200	\$220	\$280	\$160	\$200
Average Growth rate p.a.:	15%	14%	19%	15%	15%	23%	19%
Population growth rate:	0.40%	0.70%	1.00%	0.50%	0.20%	0.10%	-0.10%

NORTHERN NET APPROPRIATION OF LABOUR (HOURS) FROM THE GLOBAL SOUTH, BY SECTOR, 1995–2021.



THE WAGE VALUE OF LABOUR NET-APPROPRIATED FROM THE GLOBAL SOUTH IN TRILLION EUROS (CONSTANT 2005), BY SKILL LEVEL, 1995–2021.



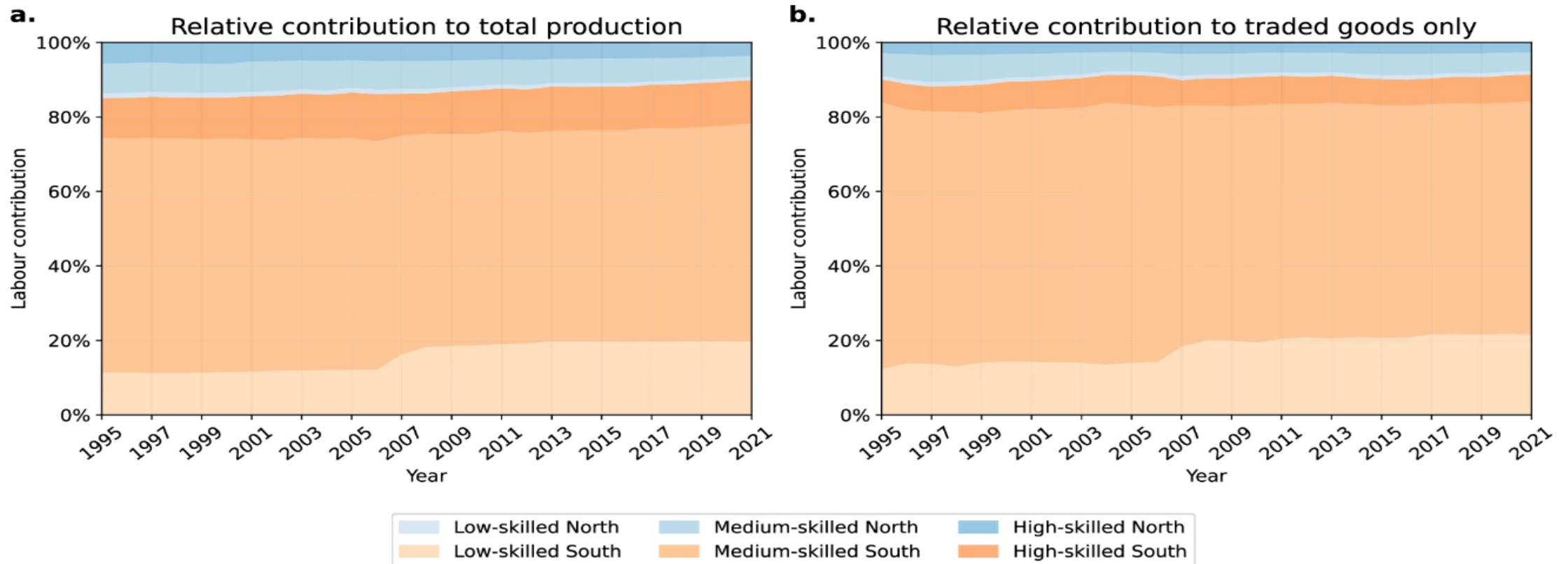
BAD NEWS FOR CAPITALISM OR PROSPECT OF SOCIALISM

- **Withering away of the middle class**
- **Labor share in GDP at current price(Evidence)**
- **Total factor productivity vs labor share in USA**
- **Erosion of the world's ecological foundation**
- **Summary on the coming crisis**

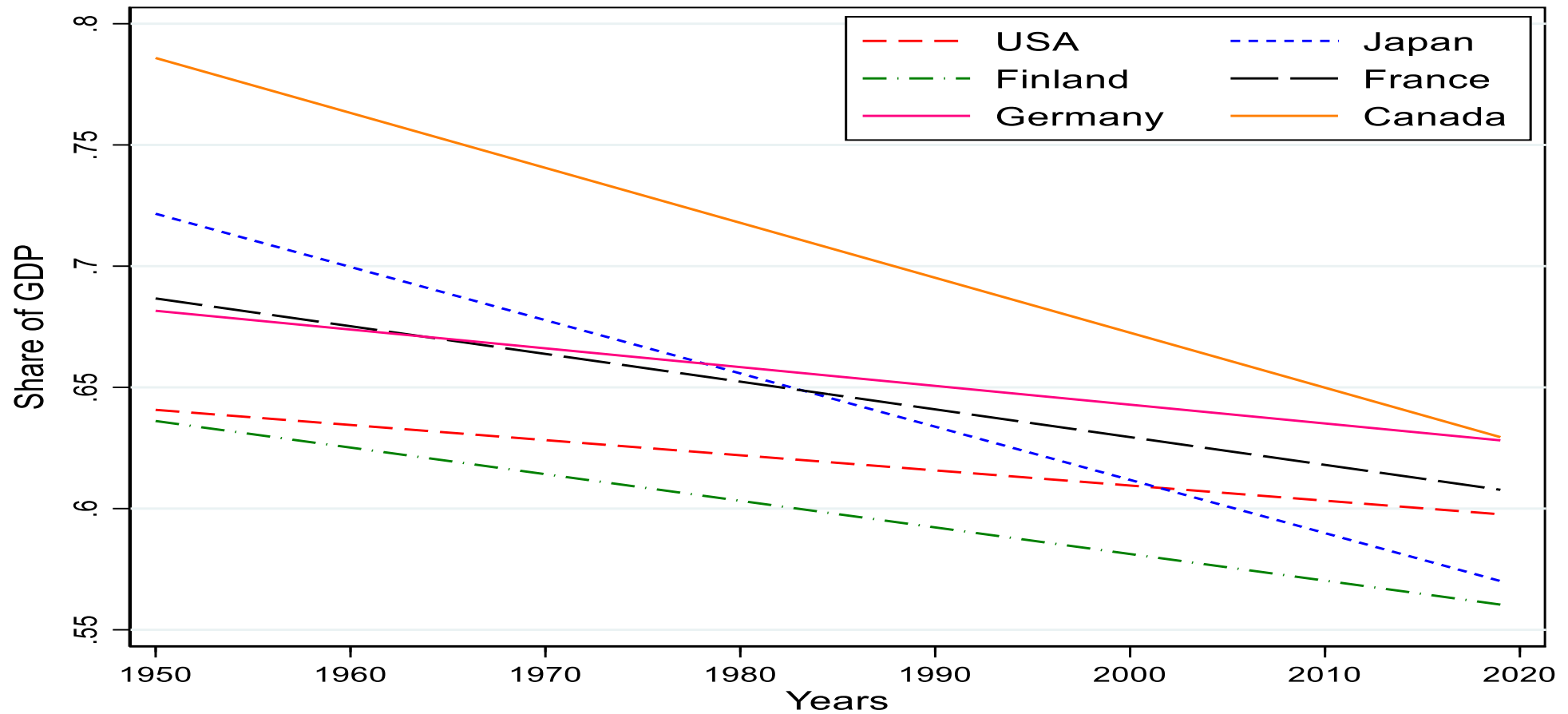
THREAT TO THE EXISTENCE OF MIDDLE CLASS

Fig. 1: Relative contributions of labour (hours) to global production by region and skill level, 1995–2021.

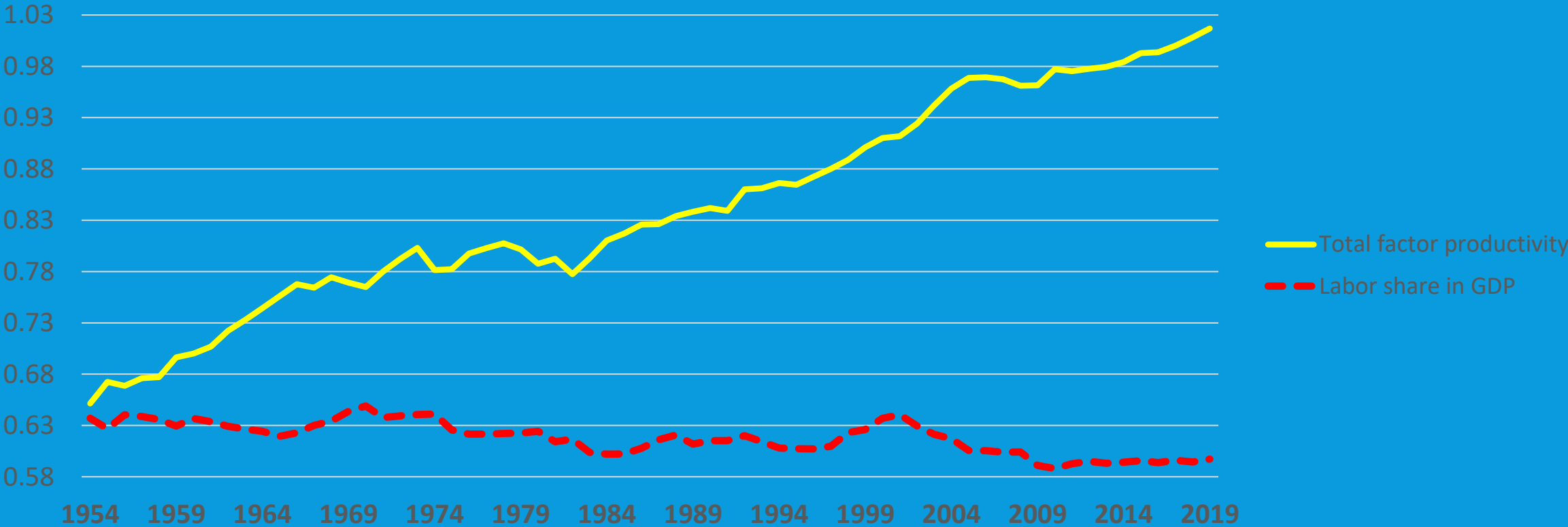
From: [Unequal exchange of labour in the world economy](#)



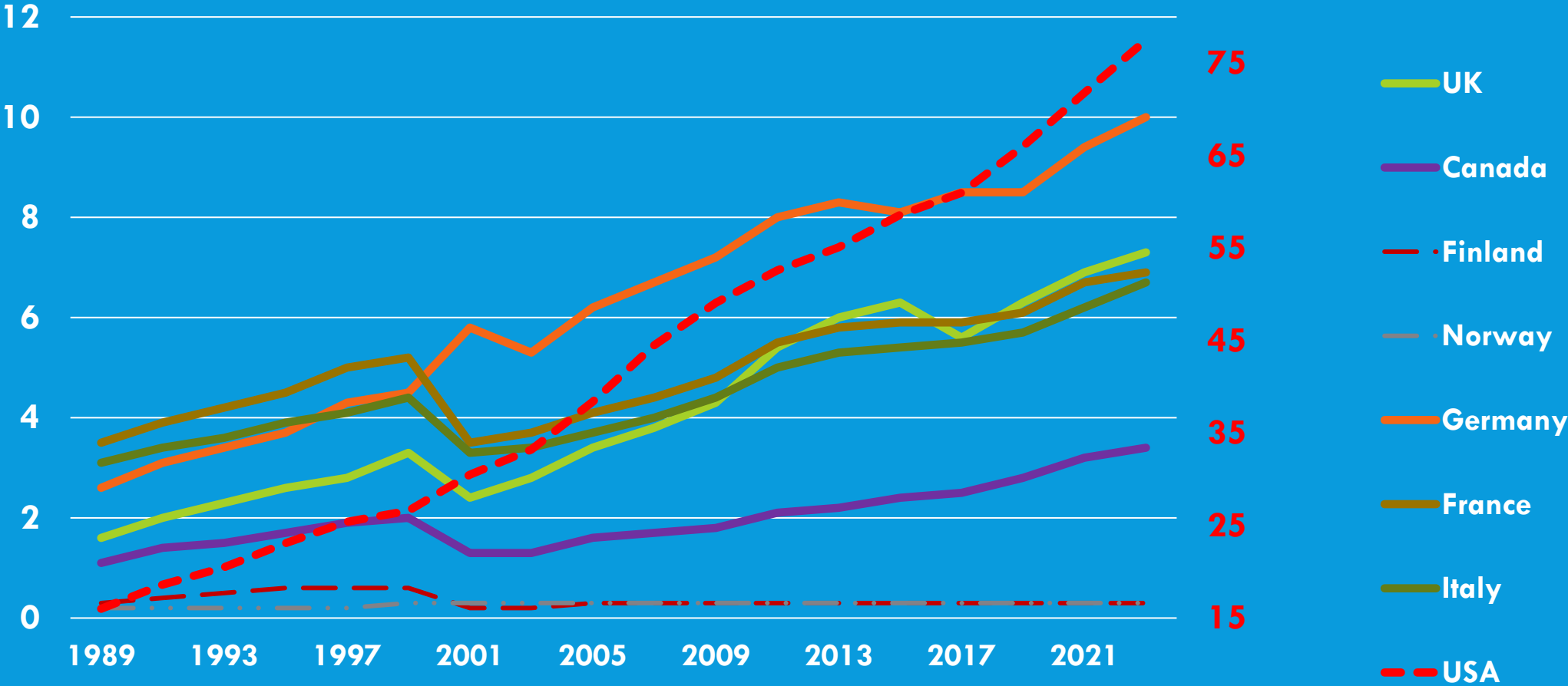
TREND OF LABOR SHARE IN GDP AT CURRENT PRICE (*IMMISERATION THESIS*)



TOTAL FACTOR PRODUCTIVITY VS LABOR SHARE IN GDP IN USA OVER TIME (SCALE 2017=100)



CHALLENGE 1: DEBT BURDEN (TRILLION \$) PAYABLE BY THE FUTURE GENERATION



CHALLENGE 2: ECOLOGICAL OVERUSE TO FEED THE CAPITAL NOW, BUT BURDEN FOR THE FUTURE

- Capitalist system has already caused the loss of 83% of all wild mammals and half of all plants.
- \$44 trillion of economic value generation – more than half of the world's total GDP – is moderately or highly dependent on nature and its services .
- In future, sectors dependent on nature would be highly affected and would increase the cost of living standard, especially of the poor.

CONCLUSION

1. If the process of transfer by decoupling of the Global South from the Global North takes place, class formation, organization and class struggle would be triggered in the global North
2. That would be followed by the Global South subsequently as they would have no trade colony to extract values.
3. Marxist predication of fall of capitalism and transition to socialism is expected to take place.