rely upon their government for help in competing with capitals centered in other countries. And even when an industry is marked by oligopoly, this does not mean that the firms are not in competition with one another.

The tendency for capital to become more concentrated, for an increasing share of production to be controlled by a decreasing percentage of all firms, has important consequences. Large firms in oligopolistic markets make greater profits than firms in more competitive markets. They can therefore keep some of their productive capacity in reserve and still have high profits. They would do this to be prepared for sudden increases in demand without having to make new investments. By the nature of large companies, new investments are very expensive, and they add to the firms's capacities to produce output, an added capacity that may or may not be needed. Better to keep some capacity in reserve. In addition, oligopolistic firms, because their capital investments are very large, will not quickly scrap capital even if more efficient capital is available. This also slows down the rate of capital investment as large firms wait until their capital stock is fully depreciated before embarking on new capital spending.[22]

CRISES

Neoclassical economists see economic crises—recessions and depressions—as caused by some sort of external shock to the economy, such as a war, a sudden business failure, a stock market panic, catastrophic weather, etc. The libertarians believe that the impact of the shock on various prices (wages and interest rates) will quickly get the economy back on track, with perhaps a little help from the central bank's monetary policy. The liberals say that some fiscal policy might be needed as well, in the form of tax- or debt-financed government spending.

Radical economists argue differently. They hold that crises come from within; they derive from the process of capital accumulation itself. Marx put forward a fundamental form of crisis: the tendency of the rate of profit to fall as capital accumulation proceeds.[23] He posited that over time, capitalists would make production more reliant on constant capital; they would substitute the dead labor embodied in the constant capital for the living labor of actual workers. Relatively speaking, this would mean a decline in the mass of current workers, the source of surplus value and profits. With relatively less living labor to exploit, downward pressure would be put on the rate of profit, unless the living labor could be more intensely exploited.

But during an economic expansion, it may become more difficult to raise the rate of exploitation. The reserve army of labor shrinks, and this not only puts some upward pressure on wages, but also may make workers more aggressive and less productive in their workplaces. Without as much fear of becoming unemployed, workers may be more willing to stand up to their bosses—taking longer rest breaks, skipping work more often, even forming unions. The combination of rising wages and falling productivity pushes the unit cost of production up and this squeezes profits. Falling profits make capitalists less willing to put there money capitals onto the market, and when they act on this unwillingness, the economy goes into a slump.

But the nature of economic expansion or contraction is unpredictable. We only know that capital accumulation is self-limiting; the accumulation process runs up against an internal contradiction—an inability to increase the rate of exploitation of workers fast enough to compensate for the fall in the relative mass of exploitable living labor. However, it is not just a matter of expansion coming to an end. The crisis serves a necessary purpose, in that it gets the economy prepared for the next expansion. During a slump, workers are disciplined by employers as the reserve army of labor swells and the fear of unemployment takes the steam out of the workers' fight against their employers. Wages fall, or at least the rise in wages levels off, and productivity begins to rise again, both factors lowering unit costs and helping to restore profit margins and business confidence.

Each expansion and each contraction will have unique characteristics, and these will help to determine how long each lasts and how deep or severe each is. For example, the United States came out of the Second World War with tremendous advantages over the other rich capitalist nations. The United States lost none of its productive capacity, whereas that of the countries of Western Europe and Japan were physically devastated. This meant that U.S. manufacturers had a near monopoly of world production. In addition, consumer spending was brisk after the war as people spent their forced wartime savings. Businesses added productive capacity rapidly, both to replace that used up in the war and to meet the foreign demand for U.S. products. These factors, combined with a boom in housing and automobile production, fueled by consumer debt spending and government loan guarantees, generated the great postwar boom in the U.S. economy.[24]

Another factor that might influence the strength of an economic expansion is the aforementioned tendency of capital to become more concentrated. The more monopolized is production, the less robust an expan-