A brief and simplified explanation of the rise of the crisis of production

By Joe Montero

Changing the way we make things refers to a shift in the ratio between labour labour and technology and machinery employed. There has been a shift towards the application of new technology and machinery, This lowers the price per unit by spreading it over a larger volume. This is known as fixed or constant cost, and regardless of the volume of output and the amount of time used, to the point where it is being gully utilised, the more units it is spread over, the lower the cost.

Labour cost is different. It imposes a rate regardless of the output. The bigger the volume, the labour cost remains the same. This is why the overall shift to fixed or constant capital is attractive.

For instance 1 unit of labour and I unit of computer technology/machinery, each costing $1per unit, is used to produce one unit of output. This brings the total cost to $2. If the second input is instead stretched out to produce two units of output, you might use $1 of labour and $o.50 of technology and machinery. The total cost is now $1.50.

But in the economy as whole, if the shift is acute enough, it begins to cause shifts that cause imbalances and the conversion of the output into profit reduces as a proportion. This is turn encourages more output to fill the gap, until the point where there is relative overproduction relative to the available market. Here is where a downturn begins and will continue until the balance is restored once again.

There is plenty of evidence that would suggest this is what has been going on in recent times, driving the economy from the Post War Boom, to a period of long-term decline