

Overproduction

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Usages

The term 'overproduction' is used in several different ways. It is commonly used in relation to particular sectors or commodities as in the overproduction of oil might lead to falling prices for the oil companies and oil producing states.

Our focus in this note is on structural overproduction in a national or in the global economy. Overproduction in this usage refers to an imbalance between aggregate demand and production capacity. Overproduction is when industry is capable of producing more than consumers are able or willing to buy, hence sometimes 'overproduction/underconsumption'.

Overproduction may be cyclic or structural. Cyclic overproduction refers to the sequence in the regular business cycle where capitalists have overinvested in productive capacity in their competition to access markets during the boom. As a consequence of slowing market demand, the capitalists cease investing and start to cut costs (including labour) which further exacerbates the declining consumption.

Structural overproduction refers to an imbalance between productive capacity and aggregate demand which reflects continuing trends in the productive forces (in particular, cheaper energy and increasingly powerful technology) which overshadow parallel trends in the factors which shape consumer demand (in particular, employment and wages). From here on 'overproduction' refers to structural overproduction.

Overproduction is sometimes used to explain actually existing stagnation. However, it is also used to refer to a tendency, a set of pressures towards stagnation. The difference lies in associated policies and processes which may (for a time) mitigate the tendency to overproduction. Bello lists these as [neoliberalism](#), [globalisation](#) and financialisation.

In the first decades of the 21st century productive capacity has been greatly boosted by the availability of cheap fossil fuel energy and the myriad of applications of modern technologies. Replacing labour with fossil fuel energy and technology contributes to unemployment and weakens consumer demand. While high wage labour has been replaced by technology, labour intensive processing has been transferred to low wage platforms in developing countries.

Globalisation facilitated by trade liberalisation has created global supply chains which link front office functions in the global North to intensive low wage labour production in the global South. Not all countries host low wage production platforms; many millions of unemployed in the global South comprise the global reserve army ready to be called upon as low wage production continues to search for lower wage environments.

The globalisation of food production and marketing, the subsidies to northern agriculture and the continuing import barriers facing Third World food producers in northern markets are contributing to the impoverishment of small farmers in developing countries and rural to urban migration and to the reserve army.

The tendency to overproduction has contributed to a continuing decline in the proportion of profit which flows into productive new investment. These funds increasingly flow into the financial sector (see [financialisation](#)) where they contribute to the wealth of the top 5% and contribute to supporting aggregate demand through debt funded consumption (households and government).

[Neoliberalism](#) is a policy package designed to protect the capitalist elites from the consequences of the crisis of overproduction. It includes reducing the tax burden on corporations and the wealthy, reducing welfare expenditure, cutting wages, marketizing social programs, public subsidies to the corporate sector (fossil fuels, armaments, pharmaceuticals), replacing public sector service provision with self-funding models based on privatised services funded through debt and insurance. Austerity and precarity are direct consequences of the crisis of overproduction.

Implications for health

The crisis of overproduction lies at the root of widening inequality, impoverishment, unemployment and underemployment, wage stagnation, all of which contribute to the economic determination of poorer population health.

Neoliberal policies are driving the marketisation and privatisation of health care.

Trade liberalisation is opening up domestic health care markets to digital cross boundary medical services.

Further reading

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