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# **The phenomenon of overproduction in capitalism, dynamic proportional equilibrium as a principle of economic regulation and the Pre-Model of Circulation in the global economy**

El fenómeno de sobreproducción del capitalismo, el equilibrio dinámico proporcional como principio de regulación económica y el Pre-Modelo de Circulación en la economía global

**Jhon Jairo Mosquera Rodas**

## **Abstract**

An analysis is made of the phenomenon of overproduction of capitalism with the corresponding consequences that this has for the generation and subsequent deterioration of the capitalist system, contributing the element of proportional dynamic equilibrium as a principle of economic regulation, together with the pre-model of circulation in the global economy that admits a progressive and functional organisation that allows the reorganisation of the economy under the dynamics of the collective, without this having as a consequence the loss of economic, social or cultural identity of the nations that participate in this process.

**Key words:** economy, crisis, regulate, prevention, intervention.

**JEL classification:** A10, A12, A14.

## **Resumen**

Se realiza un análisis del fenómeno de sobreproducción del capitalismo con las correspondientes consecuencias que este tiene para la generación y posterior deterioro del sistema capitalista, aportando el elemento del equilibrio dinámico proporcional como principio de regulación económica, junto al pre-modelo de circulación en la economía global que admite una organización progresiva y funcional que permita la reorganización de la economía bajo la dinámica de lo colectivo, sin que esto tenga como consecuencia la pérdida de identidad económica, social o cultural de las naciones que participan en este proceso.

**Palabras claves:** economía, crisis, regular, prevención, intervención.

**Clasificación JEL:** A10, A12, A14.

## **Hypothesis**

There is the possibility of minimising the effects of overproduction by applying the principle of dynamic proportional equilibrium as a neural factor enabling economic regulation, together with the adoption of the Pre-Model of Circulation in the global economy.

## **Theoretical references**

I. DIFFERENT MANIFESTATIONS OF THE OVERPRODUCTION PHENOMENON.

The phenomenon of overproduction, although in the capital economy it allows for an increase in income, deteriorates natural resources almost proportionally [7], this being the most problematic element for the very existence of capitalism, since when the raw material runs out, the system tends to collapse per se. In addition to the above, overproduction, although it

generates crises that strengthen the system, has counterproductive effects in the long term that necessarily tend to the progressive deterioration of the system if it is not transformed.

However, neoliberal capitalism is currently facing a general crisis that challenges humanity to continue to give primacy to the interests of capital or to put at the centre the need to substantially improve the living and working conditions of the majority of the population and to guarantee the reproduction of human life in symbiosis with its planetary environment. [3]

This aspect is fundamental to understand that the dynamics of overproduction have nuances that go beyond the supply-demand process and in particular the cost-benefit ratio, which is the factor that most worries capitalism and its neoliberal derivation.

The other aspect of concern is the overexploitation of natural resources, specifically non-renewable resources, and the deficient administration of those that are not. This is an aspect that both environmental administration and environmental accounting address, but which has not been able to achieve a sufficient level of harmony and communication for the generation of a global cartography that makes clear the panorama of natural resources and the scarcity of these resources that will logically come in the next generations, It seems that the lack of strategic planning at a global level is one of the most important factors that will have to be investigated in the coming decades and on which the success or failure of the capitalist project will depend, hence the need to change the forms of administration of global capital from now on, so that the matter does not get out of hand and generate greater economic, social and cultural disasters, thus avoiding what Morin has pointed out as *The Blindnesses of Knowledge: error and illusion* [4], an aspect that linked to economic dynamics could be called the paradigmatic blindnesses of macro and microeconomics.

The need for a detailed study of these blindnesses, which Professor Kuhn [5] has already addressed in his work from the perspective of history and culture, can prevent economic and

social disasters in the world, reducing or at least generating effective coping strategies in these possible scenarios.

The phenomenon of overproduction then generates an even more critical problem that has to do with nature [6] and with this, the deterioration and decrease of raw materials that is a triggering element of a global crisis that can last for many decades, thus changing the geopolitical panorama of the world, being this the element that could put capitalism as we know it today in crisis.

In Harvey's perspective, accumulation by dispossession is the result of capitalism's inability to resolve the crises of overaccumulation to which it is prone through expanded reproduction. Thus, "spatio-temporal adjustment" through geographical expansion and temporal displacement appears as a solution to open up spaces to absorb the surplus of labour and capital. [6]

From this perspective, the research by Mora, S. Y. (2016) [6], makes an important contribution to this problem.

The ecological crisis exposes the limitations inherent in the dominant frameworks of thought, inspired by modern rationality that divides man from nature, reducing it to an object or productive factor. This makes it essential to rethink visions and forms of relationship with nature. Hence the importance of the South in understanding current environmental challenges, including land grabbing. [6]

Added to this is environmental pollution [7], which is apparently an accessory factor to the problem, but which, if analysed in detail, corresponds to the mentality of capitalism, which is not very evolved and which conserves the short-sighted vision of its early eras.

As these are some of the factors that affect and will affect the world economy, it is important to generate solutions that correspond to the dynamics of nature conservation and the evolutionary process of macro and microeconomic processes in current and future economies and societies. The solution is not to leave the planet, the solution as well as the problem must be addressed by science in a realistic and relevant dynamic that corresponds to current needs and those projected in real and possible scenarios.

## II. THE TENDENCY OF CAPITAL TO MOVE AWAY FROM THE PRINCIPLES OF OVERPRODUCTION

Here it is very important to note that this problem can be seen from different perspectives. These are

From the microeconomic perspective: which corresponds to the economic dynamics of microeconomic elements.

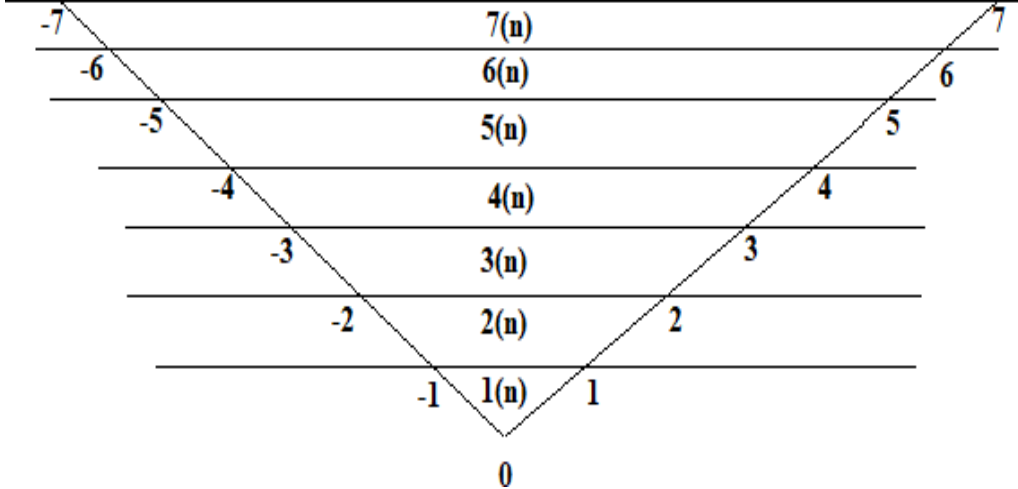
From the macro-economic perspective: which corresponds to the quantum dynamics of microeconomic elements.

From the mixed or multi-economic perspective: which corresponds to the dynamics of interaction between the micro and the macro.

The great difficulty lies in the fact that, if the phenomenon is analysed from the micro perspective, the levels of generality are lost, and therefore only a part of the problem is being studied at the economic level. The same happens with the macro perspective if it is studied separately, when dealing with the problem of overproduction. Now, the mixed position is the most successful, but it requires communication between the macro and the micro, which today's economics does not consider in a systematic way, even though these economic phenomena are in constant interaction.

To approach the phenomenon of duality of overproduction in a more integral way from a macro and microeconomic perspective, it is necessary to first understand the context in which this phenomenon develops, this being the most likely scenario in which it unfolds, independent of the economic theoretical positions that divide to understand, but do not integrate to understand, in the context of reality. To do so, this aspect must be assumed from the theory of complexity.

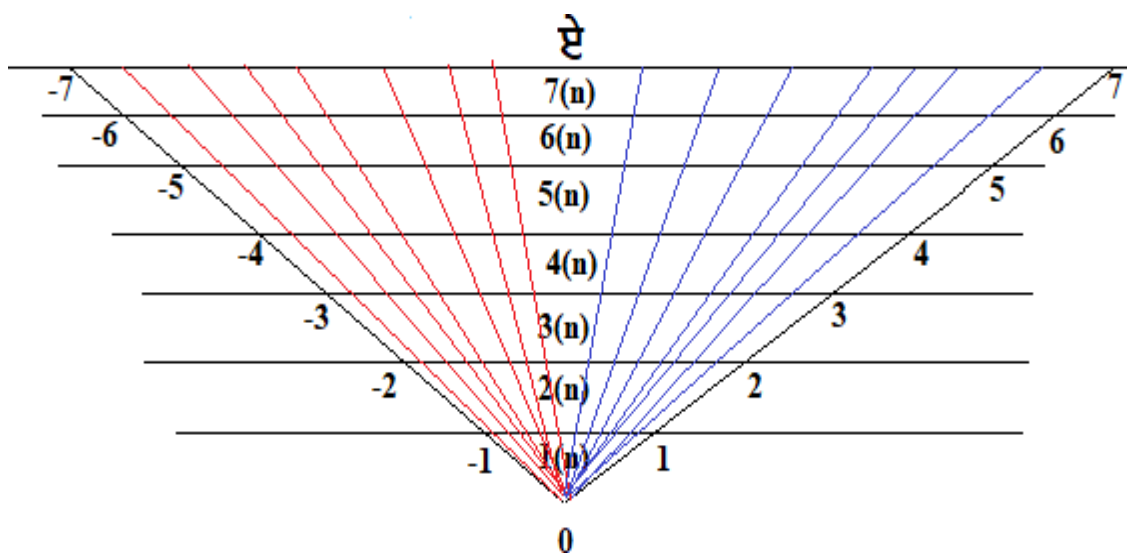
**Figure 1.** Multi-analysis tool.



**Source:** own elaboration. ਏ

From this perspective, the macro element corresponds to the natural numbers, while the micro elements correspond to the decimals, this being the possibility of a multi-analytical distribution that allows the relationship, using neutral numbers:

**Figure 2.** Multi-analysis tool with the proportional dynamic equilibrium marker.



**Source:** own elaboration based on [13].

This tool allows the development of multi-analysis from different perspectives, considering that the phenomena of economic reality are crossed by variables as well as by objective and subjective categories that make the development of research work within this science more difficult.

### III. CRISIS OF THE MEANS OF PRODUCTION IN RELATION TO THE ENVIRONMENTAL CRISIS

Today one of the most important factors to take into account in economic research centred on micro and macroeconomic processes is linked indistinctly with the crisis of the means of production in relation to the environment and the effects that the overproduction proposed by the neo-liberal model has generated in the various societies of the world. In this regard, a detailed revision of the theory of capital from the perspective of Marx [9] is necessary, linked not to communist ideology but to the more practical aspects that this theory can contribute to the dynamics of the economic crisis in the world, assuming only the conception of the



Frankfurt School and the short-term vision of neoliberalism in relation to nature and its exploitation has been one of the great mistakes made by western science, taking into account that the progressive deterioration of natural resources shows the level of affection and effectiveness of this type of economic system, capitalism must evolve on pain of an essential crisis that will lead to future conflicts in relation to the predominance of economic and political ideologies that do not necessarily benefit the collective.

Jones, (2017) refers in his article:

The extraordinary thing about *Das Kapital* is that it offers a yet unpublished picture of the dynamism of capitalism and its transformation of societies on a global scale. It firmly embeds concepts such as commodity and capital into the lexicon. And it highlights some of the vulnerabilities of capitalism, including its disturbing disruption of states and political systems. The election of Donald Trump, the Brexit vote, and the rise of populism in Europe and elsewhere can be understood as indirect effects of changes in the global division of labour: the offshoring of key aspects of modern production away from Europe and the United States. This has been brought about by changes in what Marx identified as the relentless drive for expansion of the capitalist enterprise [9].

In this order of ideas, it is necessary to generate processes and procedures that allow the progressive evolution not only of the ideological dynamics that are maintained today from the very origin of the theory of capital, and that continue to be sustained by some intellectuals at a global level; While socialist theory is not a viable alternative, there is a need to rethink the concept of capital linked to the conservation of natural resources, and therefore to develop mechanisms at the macro and microeconomic level that will make it possible to halt the effects that Cartesian ideology has had on the economy, in relation to the idea that nature is an object to be exploited.

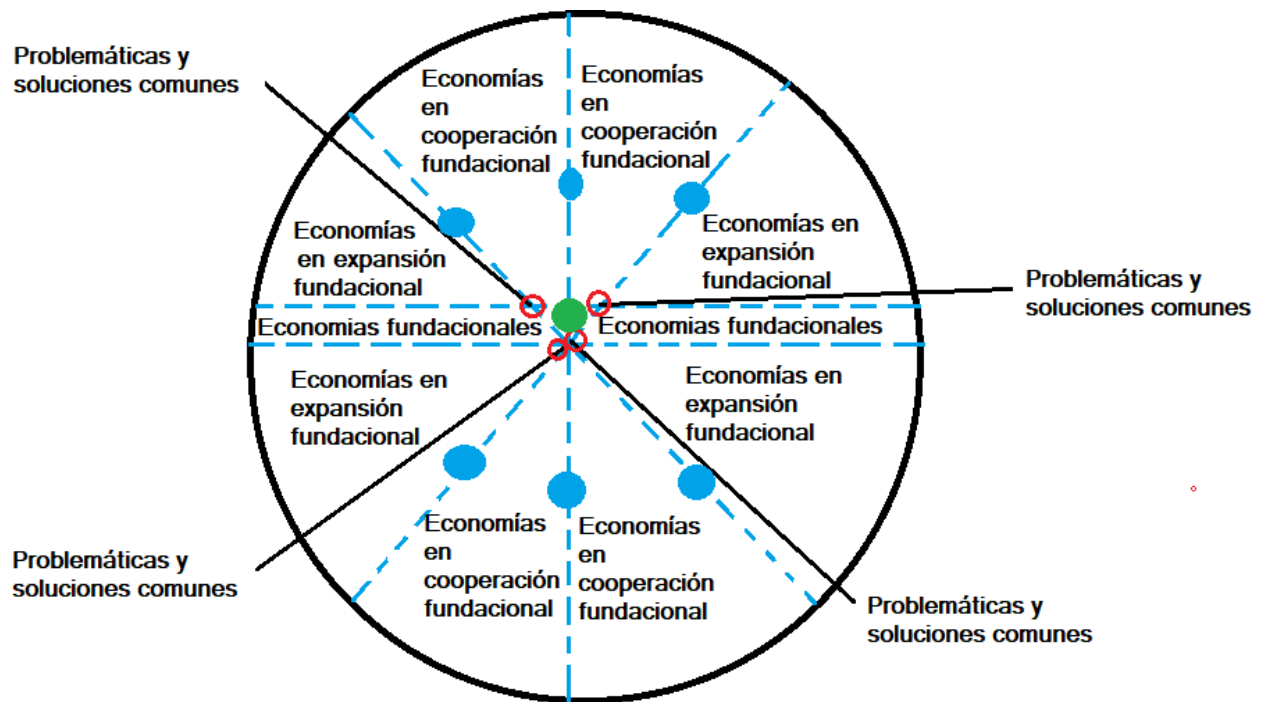
The crisis of the means of production then has to do with a philosophical vision that has been applied to science as a dogma to be followed without objection, an aspect that has more to do with religion than with science [10]. Nature is not an object and human beings are part of it, therefore, they are affected when it is modified [11]. This premise, which has an Eastern and Greek origin [12], has been forgotten, and it is necessary to rescue it in order to find solutions to the crises that arise in the economy and in contemporary society.

#### IV. CLASSIFICATION OF CRISIS ECONOMIES UNDER THE DYNAMIC PROPORTIONAL STRUCTURE PRINCIPLE

The first point to make here is that we are witnessing an era in which the economy has a worldwide or global tendency, but paradoxically, economic problems continue to be dealt with in a local or provincial manner, which is one of the most problematic aspects to date for the development of global societies that truly respond to the needs of a new era. If we want a global economy, we must think in this way at all levels, bearing in mind that the well-being of citizens must be one of the essential principles of a type of economy that aims to position itself at a global level. Therefore, ecological problems are not only of a single country, or social problems are not only of a single nation, the problems in general are of the whole world and this means that the economic dynamics must correspond to this line of analysis and not to the already worn out conception of developing countries, developed countries, powers and other terms that only delve deeper into the problems of particular economies, leaving behind the conception of a global economy.

The staggered practices of this type of economic ideology must be left behind and replaced by a collective conception that corresponds to a truly global economic dynamic, while respecting the particularities of the countries and their respective cultures. It is necessary to conceive of a much more cooperative and participatory society that thinks of itself as a whole and not as isolated groups competing for power while what they are competing for is progressively deteriorating.

**Figure 1.** Pre-Model of Circulation of economies by levels of responsibility to the global.



**Source:** own elaboration.

The circulation of economies by levels of responsibility with the global allows for a circulation of different economic roles in the world. In order to better understand this scheme, it is necessary to explain each of the categories and the focus they have in an integrated system.

The first thing to understand is that the foundational economies are not the most powerful, they are mixed groups elected in the foundational expansion economies and in the foundational cooperation economies. Their function is to analyse and generate scientific studies of the problems presented by both the cooperation economies and the expansion economies; their role is to lead processes and procedures of a collective nature that respect the territories or nations and their different economic decisions and come up with particular solutions that benefit the entire system.

Secondly, there are the foundational expansion economies, which are also a group of economic collectives, both private and public, that come together to study the problems and

present possible solutions to the foundational economies, which are procedural in nature and focus on the respect and administration of natural resources according to the possibilities that arise in the region they administer.

Thirdly, there are the foundational cooperative economies that have to do with national economies that unite to form a group of collectives that represent their interests, and which are assigned the possibility of identifying those economies that damage natural resources and increase the levels of crisis within their territories and the territories of the foundational and expanding economies.

The conception of this system is linked to the concept of isonomy and the notion of the rights of all beings that subsist within the planet. This allows for a particular regulation of the entire world economic system and, of course, avoids the traditional tiering based on competition that places some nations above others or generates linear hierarchical structures that have not served in any way to sustain a global economy.

Here it is important to highlight the role of natural resource management and accounting in relation to the control of the productivity index linked to overproduction, which is essentially the problem to which this research aims to contribute to its respective solution. It should be noted that in the outline of the model, all types of economies contribute to the presentation of problems from the micro to the macro, providing solutions from their territories to common problems that will have a global scale and that if they are tackled in a scientific manner, the level of negative effects that this will have on the populations and the particular economies of the nations can either be avoided or reduced.

**Hypothesis testing:** This is followed by hypothesis testing according to the analytical deductive approach.

<b>Hypothesis Data verifying the premise</b>	<b>Hypothesis Data verifying the premise</b>
<p><b>Premise 1.</b> there is a possibility of minimising the effects of overproduction by applying the principle of dynamic proportional equilibrium as a neural factor enabling economic regulation, together</p>	<p><b>Category: overproduction.</b></p> <p><b>Descriptive analysis:</b> The first descriptive analyses proposed based on the multi-analysis tool in relation to the proportional</p>

with the adoption of the pre-Model of Circulation in the global economy.	dynamic equilibrium marker and the proposal of the pre-model of the circulation of economies by levels of responsibility with the global allow us to confirm that the hypothesis is objective and verifiable.
<b>Premise 2.</b> There is no possibility of minimising the effects of overproduction by applying the principle of dynamic proportional equilibrium as a neural factor enabling economic regulation, together with the adoption of the Pre-Model of Circulation in the global economy.	<b>Category: overproduction.</b>  <b>Descriptive analysis:</b> The first descriptive analyses proposed from the multi-analysis tool in relation to the proportional dynamic equilibrium marker and the proposal of the pre-Model of Circulation of economies do not show inconsistencies that allow the negation of the hypothesis.

The descriptive analyses based on the multi-analysis tool with the proportional dynamic equilibrium marker and the proposal of the pre-model of the Circulation Model of the economies by levels of responsibility with the global allow corroborating that the hypothesis is objective and verifiable and therefore reaffirms its acceptability.

## Conclusions

The research presents a general analysis of the fundamental elements to understand the dynamics of overproduction in relation to the capital economy and the capitalist system, being this a fundamental element to understand the functioning of the system itself and the different effects that overproduction produces in it.

A tool is also proposed to carry out a multi-analysis with the proportional dynamic equilibrium marker, as a strategy to identify possible critical zones in the economic dynamics of any country in the world, which allows the development of short-, medium- and long-term intervention strategies to prevent high impact economic crises generating problems that are difficult to solve.

Finally, a model of circulation of economies by levels of global responsibility is proposed, which progressively allows for the transformation of individual power dynamics and without an analysis of the global consequences for the nations that lead the world and for those that evolve economically in relation to the solution of micro and macroeconomic problems. This model makes it possible to assume co-responsibility not only in the economy but also in the administration of natural resources for the survival of humans and thus the development of much more co-operative cultures that benefit the population and increase wealth as one of the consequent factors of progress not only at the level of a few nations but also at the level of the world.

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