

# Mapping out the class struggle – from the point of view of capitalist accumulation

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*Michael Roberts 19 September 2017*

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“A fall in the rate of profit and a hastening of accumulation are insofar only different expressions of the same process as both of them indicate the development of the productive power”.

“so-called plethora of capital is always basically reducible to a plethora of that capital for which the fall in the profit rate is not outweighed by its mass or to the plethora in which these capitals are available to the leaders of the great branches of production in the form of credit”.

## **The model of abstraction**

David Harvey’s interpretation of Marx’s analysis of capitalism and the circuit of capital or value in motion is intriguing and even compelling. And it could be right. But it is not Marx’s. Marx’s approach does not give equal weight to the circulation and distribution of value and surplus value as he does to the production of value. The production of value and surplus value and the accumulation of capital is at a different level of abstraction from the circulation and distribution of value and capital.<sup>1</sup>

Capital is a book that starts at a high level of abstraction well away from the surface appearance of things in order to expose clearly the underlying mode of production and social relations that is capitalism and capital. As Fred Moseley explains so well in his book, Money and Totality:

“The first important feature of Marx’s logical method is the basic structure of two main stages or levels of abstraction – the production of surplus-value and the distribution of surplus-value. “And the fundamental premise of this logical structure is that the total surplus-value is determined at the first level of abstraction (the production of surplus-value) and is taken as a predetermined given at the second level of abstraction (distribution of surplus-value), i.e., in the division of this predetermined total surplus-value into individual parts. Thus, there is a strict logical progression from the first level of abstraction to the second

level: first the production of surplus-value and the determination of the total surplus-value and then the distribution of surplus-value and the determination of the individual parts.”<sup>2</sup>

### Basic logical structure of Marx’s theory in *Capital*

#### I. Capital in general

1. *Production of surplus-value* (Volume I)
2. *Circulation of capital (turnover time)* (Volume II)
3. *Capital and profit (including the falling rate of profit)* (Parts 1 and 3 of Vol. III)

#### II. Competition, or the *distribution of surplus-value*

1. *General rate of profit and prices of production* (Part 2 of Volume III)
2. *Commercial profit* (Part 4)
3. *Interest* (Part 5)
4. *Rent* (Part 6)
5. *Revenue and its sources* (Part 7)

For Marx, the production of surplus-value comes first and is logically paramount, before circulation and distribution. As Moseley puts it:

“It is essential that the production of surplus value be theorised prior to the distribution of surplus-value, because the former theory determines total amount of surplus-value that is to be distributed or divided up. The total amount of surplus-value is taken as given in the subsequent analysis of the distribution of surplus-value at the level of abstraction of competition, and the total amount is not affected by this distribution.”<sup>3</sup>

Capital is a story of class struggle between workers and capitalists over the production of surplus-value (Volume 1), and between capitalist classes themselves regarding the distribution of surplus-value (Volume 3). It is a story of expanded reproduction (Volume 2), but an expanded reproduction (i.e. economic growth) riddled with tendencies toward centralization, inequality, instability, and crises.<sup>4</sup>

But as Joseph Choonara has argued in his new book, *A Reader’s Guide to Capital*, we should not “flatten out these different levels of analysis, treating them all as equally fundamental.”<sup>5</sup> Production and circulation are not considered By Marx as having the same explanatory power in the analysis of capitalism. Marx is clear that production is more fundamental than circulation.<sup>6</sup> As Marx says, it is the production of surplus value that is the defining character of the capitalist mode of production, not how that surplus value it is circulated or distributed at the surface level.<sup>7</sup>

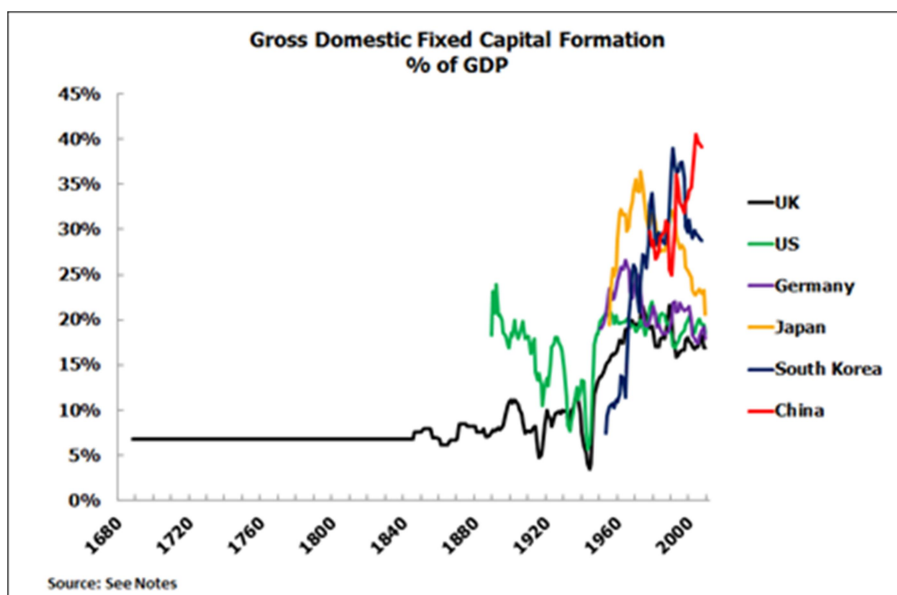
### The General Law of Capitalist Accumulation

That brings me to what Marx calls The General Law of Capitalist Accumulation in Chapter 25 of Volume One. Capitalist production has a fundamental dynamic, the dynamic of

accumulation, in which the scale of capitalist production constantly expands.<sup>8</sup> As Marx puts it in Chapter 24:

“Accumulate, accumulate! That is Moses and the prophets! Industry furnishes the material which saving accumulates. Therefore, save, save, i.e., reconvert the greatest possible portion of surplus-value, or surplus-product into capital! Accumulation for accumulation’s sake, production for production’s sake: by this formula classical economy expressed the historical mission of the bourgeoisie.”<sup>9</sup>

It is the dynamic of accumulation that governs the development of capitalist society. But it is not simply a quantitative expansion. The trend is for the proportion of the economy devoted to investment to rise. This happens pretty much from the point of the publications of Marx’s Capital in the UK.



The increasing scale of accumulation also produces qualitative changes. <sup>10</sup> As Marx says, “The accumulation of capital, though originally appearing as its quantitative extension only, is effected, as we have seen, under a progressive qualitative change in its composition, under a constant increase of its constant, at the expense of its variable, constituent.”<sup>11</sup>

The expansion of the productive forces under capitalist competition leads to two things: a permanent but (fluctuating in size) ‘reserve army of labour’ and a rising organic composition of capital. It is accumulation that determines the growth of employment, not vice versa. As Marx put it: “the rate of accumulation is the independent variable, not the dependent variable; the rate of wages is the dependent, not the independent variable”.<sup>12</sup>

And accumulation is associated with a steadily increasing productivity of labour, and this in turn implies a steady increase in the technical composition of capital: the introduction of more massive machinery, to assist the worker to increase productivity.

Over time (and after crises in production), this also involves both the increasing concentration of the means of production in the hands of ever larger capitalists, and the appearance of new

capitalists in competition with one another. Apart from this concentration of capital that is a result of accumulation, there is also a centralisation of capital as more profitable capitals swallow up less profitable ones.

Marx argues that the rising organic composition of capital means that a larger capital is required to maintain a given level of employment. Thus accumulation must become progressively more rapid to maintain employment. At the same time, though, the rapid accumulation means a more rapid increase in the organic composition. Thus accumulation itself produces a “relatively redundant working population” (i.e. creates unemployment): this is the relative surplus population.

Because of the unevenness of capitalist development, this relative surplus population is constantly being created in some branches of production, and is often reabsorbed in others, and this is on an ever-increasing scale. This surplus population is a “*condition for the existence of the capitalist mode of production*” as the industrial reserve army that provides a mass of available labour power independent of the natural growth of population. The industrial reserve army also forces the employed workers to submit to intensified labour, so further reducing employment.

Finally, it is the expansion and contraction of the industrial reserve army that “exclusively” regulates the general movement of wages. If capitalist accumulation is to persist, it requires above all else an ample supply of wage-labour that is continually replenished and available for work at wage levels that ensure the further production of surplus value for the class of capitalists.

It is for this reason that Marx considered the reserve army of labour to be an essential ingredient of capitalism, a relatively redundant population of labourers that would expand and contract according to the requirements of the system. As soon as the accumulation process diminishes this surplus population to the point of endangering the further production of adequate amounts of surplus value (by raising wages and other advantages of labour), a reaction sets in. The introduction of labour-saving machinery is quickened, the reserve army is replenished and the rise in wages is halted.

Thus accumulation takes place as a cyclical oscillation: “the general movement of wages is exclusively regulated by the expansion and contraction of the industrial reserve army and this corresponds to the periodic alternations of the industrial cycle”<sup>13</sup>

In these ways, Marx maintained, the foundations of the capitalist system are protected from the dangers of lessened exploitation. "The law of capitalist accumulation . . . excludes every diminution in the degree of exploitation of labor, and every rise in the price of labor, which could seriously imperil the continual reproduction, on an ever-enlarging scale, of the capitalistic relation".

From the general law of accumulation to the law of the tendency of the rate of profit to fall

The bosses' appropriation of surplus value makes possible the expansion of capital, and it is made necessary by the class struggle of the producers against their exploiters. For Marx, the

amount of surplus value extracted is the main issue in the class struggle between capitalists and workers. Capitalism expands by reinvesting the surplus value it appropriates: this is the basis of the accumulation of capital.

As Marx put it, the “aim [of the capitalist mode of production] is to preserve the value of the existing capital and promote its self-expansion to the highest limit (i.e., to promote an ever more rapid growth of this value. Capital strives to expand the value form even at the expense of developing use values.” The conflict of these tendencies, the most visible expression of the contradictions of value, is the key to the analysis of capitalism’s crises.

“The most important factor in this inquiry is the composition of capital and the changes it undergoes in the course of the process of accumulation”. In the capitalist mode of production, and in that alone, is the development of the productive power not only expressed as a growth of means of production in order to have more results with less labour, (as it is expressed in all economic systems) but as a rise in the organic composition of capital, more constant capital, less variable capital and a consequent falling rate of profit.

This Marx called “in every respect the most important law of modern political economy and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint. It is a law, which despite its simplicity, has never before been grasped and even less consciously articulated.”<sup>14</sup>

In short, for Marx technological innovations tend to decrease the average rate of profit because they tend to replace labourers with machines. Since only labour creates values, the output per unit of capital increases while the value incorporated in it decreases. As Marx writes, “The value of a commodity is determined by the total labour-time of past and living labour incorporated in it. The increase in labour productivity consists precisely in that the share of living labour is reduced while that of past labour is increased, but in such a way that the total quantity of labour incorporated in that commodity declines” (Marx, *Capital*, Vol.1, international Publishers, New York, 1967, pp.260-261). It follows that “The rate of profit does not fall because labour becomes less productive, but because it becomes more productive” (op. cit. 1967, p.240).

“A fall in the rate of profit and a hastening of accumulation are insofar only different expressions of the same process as both of them indicate the development of the productive power. Accumulation in its turn hastens the fall of the rate of profit, inasmuch as it implies the concentration of labour on a large scale and thereby a higher composition of capital”.

Thus accumulation is a process that inevitably leads to overproduction of capital, to ever increasing unemployment, to a surplus of capital unable to function profitably and an unusable surplus population.<sup>15</sup>

The simple formula for the rate of profit is  $s/c+v$ ; where  $s$  is the surplus value appropriated by the owners of the means of production from the total value created by labour; where  $c$  is the value of the means of production accumulated by the owners; and where  $v$  is the cost of employing the labour force to produce value. Marx’s law (as such) of the tendency of the

rate of profit to fall follows: if  $c/v$  rises, and the rate of exploitation,  $s/v$ , is unchanged, the rate of profit  $s/c+v$  must fall.

There are countertendencies to the tendency for the rate of profit to fall. That is why the law is a tendency. Marx lists several factors that could lead to a period of rising profitability. The two most important ones are when the organic composition of capital ( $c/v$ ) rises but at a slower pace than the rise in the rate of exploitation ( $s/v$ ) and when  $c/v$  falls because the value of the new means of production falls as a result of a greater productivity of labour.

Marx argues cogently that these counter-tendencies cannot predominate indefinitely or even a long time, i.e. not more than several years or a decade or so – a small period in the history of capitalism. Eventually, in the long run, the organic composition of capital will rise more than the rate of exploitation rises, and the rate of profit will resume its fall.<sup>16</sup>

Crises and breakdowns come about because a falling rate of profit eventually reaches a point where there is a fall in the new value created by labour and/or a fall in the mass of profit. The rate of profit is an average across all sectors of production. Some capitalists may actually experience a fall in profits and even start making outright losses before the more efficient and stronger. They will go bust or reduce investment spending first, causing a cascade effect across other sectors. Once investment starts falling, so will employment and incomes. A slump ensues. This is the mechanism of crises that begins with Marx's law.

A static system of capitalism is an impossibility; capital must either go forward, i.e. accumulate, or collapse<sup>17</sup>. But accumulation presupposes reestablishment of profitable operation. But the resumption of profitable operation depends on the lowering of the organic composition of capital, or the increase, by other means, of the surplus value. The devaluation of capital lowers the organic composition. In practice, this means the ruin of many individual capitalists; from the point of view of total capital, from the point of view of the system, it means rejuvenation. The devaluation of capital is a continuous process, an expression of increased productivity of labour, but in the crisis it progresses violently.

Thus “the true barrier to capitalist production is capital itself”.<sup>18</sup> Overproduction of commodities is the result of overproduction of capital and this “is nothing more than overaccumulation of capital”. Indeed, the “so-called plethora of capital is always basically reducible to a plethora of that capital for which the fall in the profit rate is not outweighed by its mass or to the plethora in which these capitals are available to the leaders of the great branches of production in the form of credit”.<sup>19</sup>

Credit takes the accumulation of capital to its limit: “if the credit system appears as the principal lever of overproduction and excessive speculation in commerce, this is simply because the reproduction process, which is elastic by nature, is now forced to its most extreme limit.”<sup>20</sup> Thus “a crisis must evidently break out if credit is suddenly withdrawn and only cash payment I accepted. ...at first glance the entire crisis presents itself as simply a credit and monetary crisis”.<sup>21</sup>

While the underlying cause of crises is to be found in the general law of accumulation and the law of tendency of the rate of profit to fall (in what happens to capital in general in the production of surplus value), the actuality of crises can “only be deduced from the real movement of capitalist production, competition and crises.”<sup>22</sup>

The financial sector, particularly the size and movement of credit, plays an instrumental role in capitalist crisis. Marx argues that the growth of credit and speculative investment in stocks, bonds and other forms of money assets, or ‘fictitious capital’, functions as a compensating mechanism for the downward pressure on profitability in the accumulation of real capital. A fall in the rate of profit inevitably promotes speculation; that is, trying to make money by betting on the stock exchange or buying other financial instruments. But, as capitalists en masse buy these stocks and assets, prices rise thus leading to the emergence of a bubble. Once bubbles burst, investors come to terms with the reality that the assets are not worth what they are paying for them.

As Paul Mattick Snr pointed out in his seminal work, *Economic crisis and crisis theory*:

“Although it first appears in the process of circulation, the real crisis cannot be understood as a problem of circulation or of realisation, but only as a disruption of the process of reproduction as a whole, which is constituted by production and circulation together. And, as the process of reproduction depends on the accumulation of capital, and therefore on the mass of surplus value that makes accumulation possible, it is within the sphere of production that the decisive factors (though not the only factors) of the passage from the possibility of crisis to an actual crisis are to be found ... The crisis characteristic of capital thus originates neither in production nor in circulation taken separately, but in the difficulties that arise from the tendency of the profit rate to fall inherent in accumulation and governed by the law of value.”<sup>23</sup>

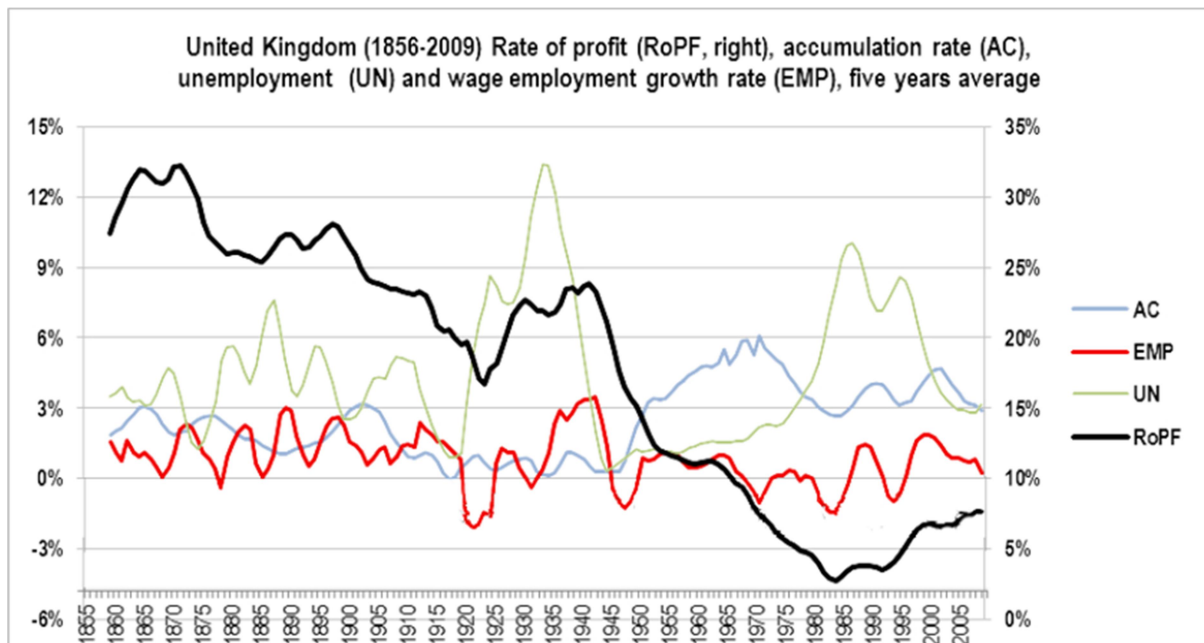
And as G Carchedi put it after the Great Recession,

“The basic point is that financial crises are caused by the shrinking productive basis of the economy. A point is thus reached at which there has to be a sudden and massive deflation in the financial and speculative sectors. Even though it looks as if the crisis has been generated in these sectors, the ultimate cause resides in the productive (of surplus value) sphere, i.e. in the shrinking productive basis of the economy and in the attendant falling profit rate in this sphere, even though this downwards movement has manifested itself at first in the financial and speculative sectors”.<sup>24</sup>

## **The evidence for Marx’s general law of accumulation and the law of profitability**

Was Marx right in his analysis of the dynamic of accumulation under capitalism? How did things pan out after Marx published *Capital* and after his death in 1883? I propose now to go on a little journey using the map of profitability and accumulation of capital in the UK after 1867.

In his excellent paper, And yet it moves down, Esteban Maito shows for Britain the connection between accumulation of capital, a rising organic composition, the reserve army of labour and profitability from the point when Marx wrote Volume One of Capital to now.<sup>25</sup>

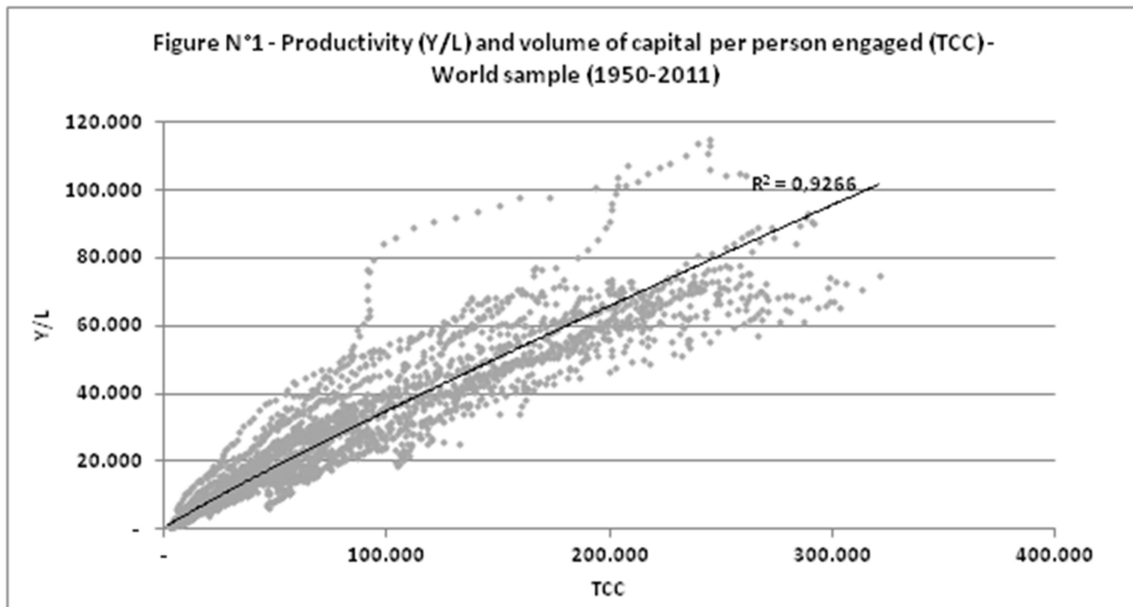


Maito concludes: “Over this long period, 1855 to 2009, two opposing trends, mediated by the interwar period, have developed, expressing the Marxian determinations explained above. The rate of accumulation reached higher levels in the post-war period (average: 3.8% per year in 1946-2009) compared to the pre-World War I period (average: 2.0% per year in 1856-1913). During these same periods, the growth in the number of employees showed the reverse, with a higher relative growth in the first part (1.3% per year) compared to post-World War II decades (0.3%). During the interwar period, in which the rate of profit recovered significantly, the accumulation rate expanded at an average annual rate of 0.5% - less than the average increase of 0.9% of the workforce.”

This seems to confirm Marx’s analysis. Accumulation of capital rises faster than employment growth leading to a secular fall in the UK rate of profit. However, in certain periods, the inter-war period, accumulation of capital grew more slowly than employment and profitability rose.

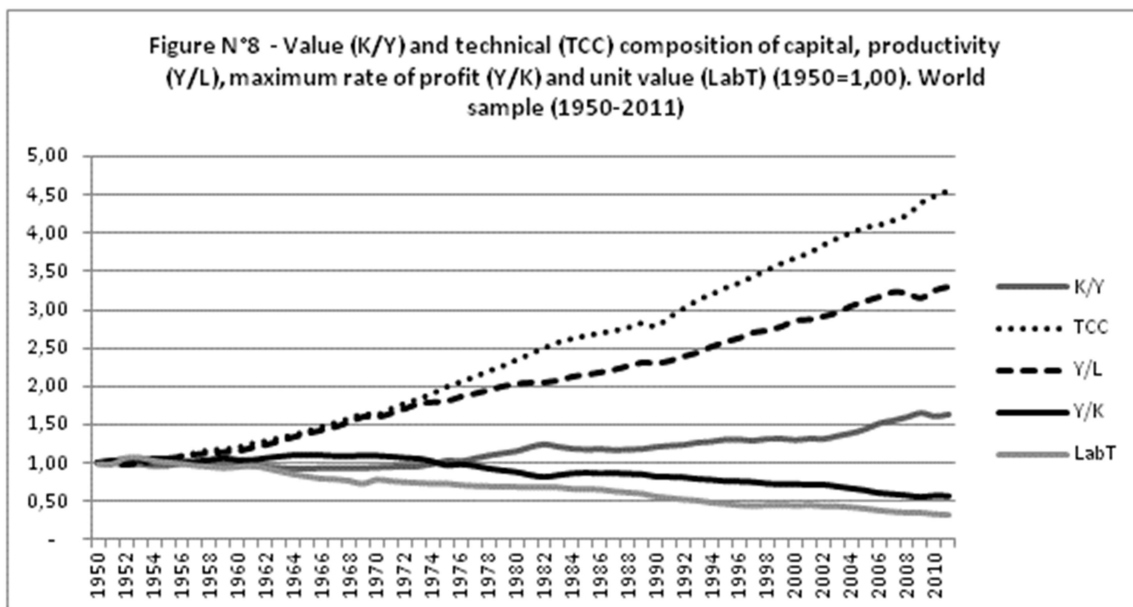
Maito has also applied this analysis to a larger sample of countries representing 85-90% of global GDP<sup>26</sup>.





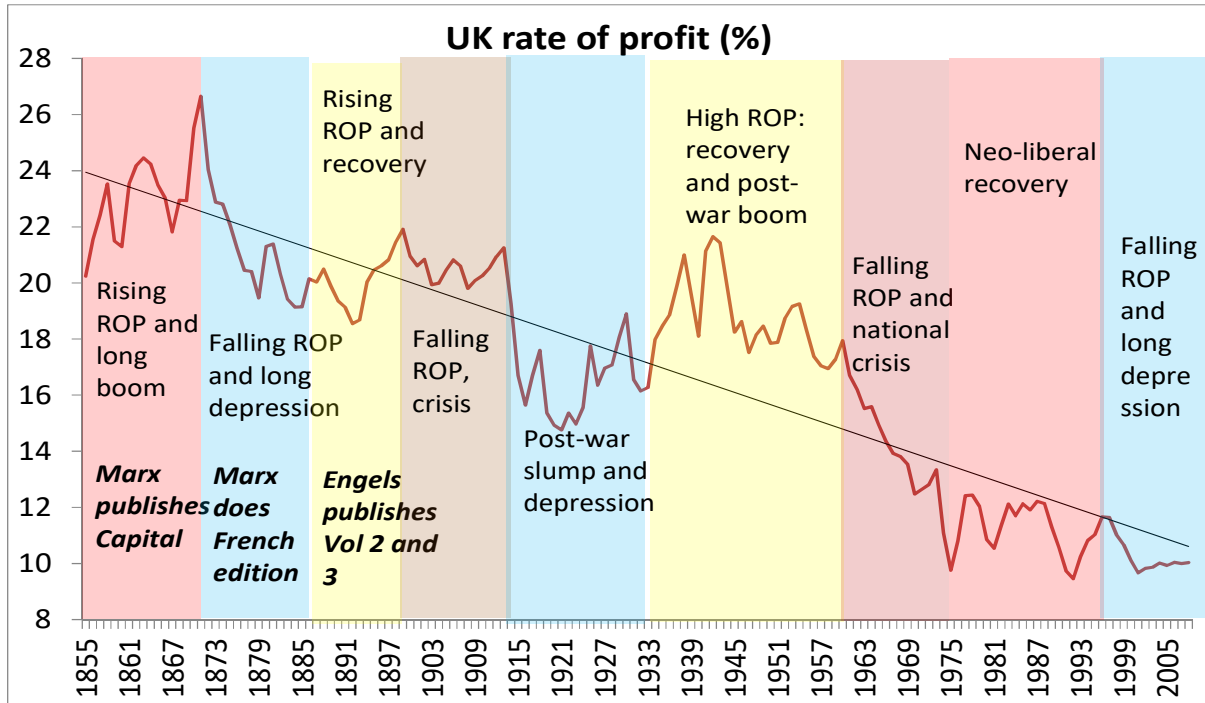
In Marxian terms, there is a unity in the law of value, the laws of accumulation and the law of the tendency of the rate of profit to fall<sup>27</sup> “A fall in the rate of profit and accelerated accumulation are different expressions of the same process only in so far as both reflect the development of productiveness. Accumulation, in turn, hastens the fall of the rate of profit, inasmuch as it implies concentration of labour on a large scale, and thus a higher composition of capital.”<sup>28</sup>

This unity is confirmed for a large batch of capitalist economies by Maito:



This shows a secular rise in the technical composition of capital, the value composition and a fall in the rate of profit (excluding any counteracting factors) and commodity values for the global economy since 1950.

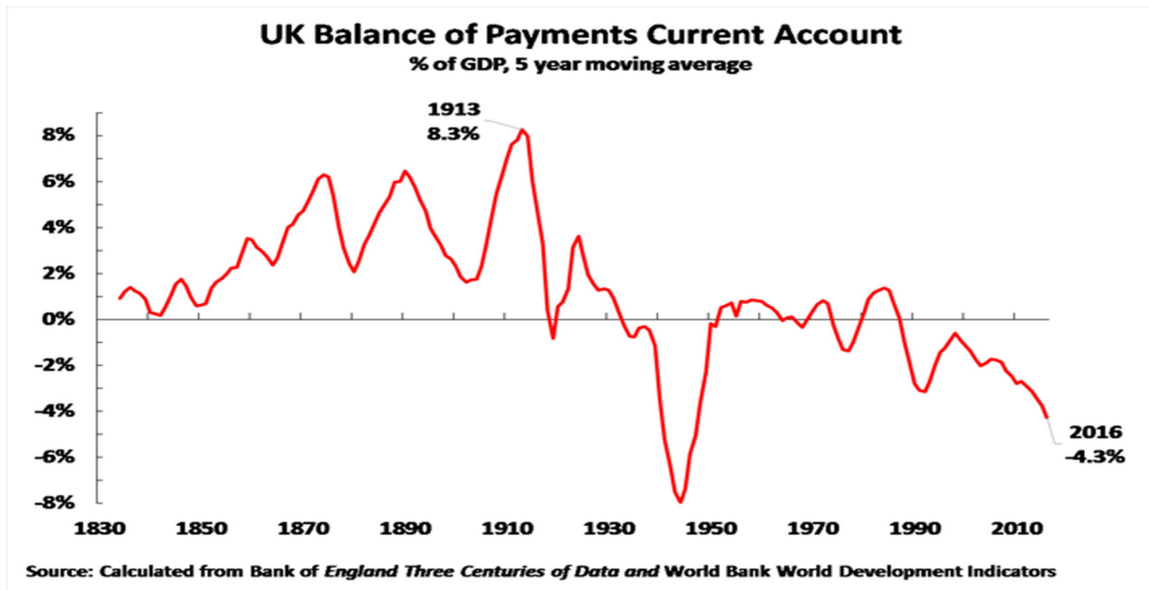
In my own work, from the analysis of the movement in the rate of profit from various sources, it is clear that there was a secular decline in the UK rate of profit over the last 150 years, supporting the predictions of Marx's law and paralleling the decline of British imperialism. 29



The periods of steepest decline in the rate of profit matched the most difficult times for British capitalism: the long depression of the 1880s; the collapse of British industry after 1918; the long profitability crisis after 1946. But there were also periods when profitability rose: the recovery after the 1880s in the late Victorian era; the substantial recovery in the 1920s and 1930s after the defeat of the British labour movement and demolition of old industries during the Great Depression; and the neo-liberal revival based on further dismantling of the welfare state, the privatisation of state assets, the defeat of labour struggles and, most important, a switch to reliance on the financial sectors as Britain increasingly adopted rentier capitalism.

In the 1850s, British imperialism was at its height (after the 1851 Great Exhibition). It was the hegemonic capitalist power with dominance in industry, trade, finance, imperial incomes/colonies and armed forces. But by the end of the long boom up to the early 1870s, it began to give ground (relatively) to the rising economic powers of the US (now united after a civil war, and Germany (now united) and to some extent France after the defeat of the Paris Commune in 1870.

During the Long Depression of the 1880s (and 1890s), Britain's hegemonic position was further undermined with the rise of Bismarckian Germany and America's growing industrial population. The period of economic recovery from the 1890s was weaker in the UK than in Germany or the US. Profitability did not rise in the 1900s and, by the time of the first world war, both Germany and the US could rival the UK's position.



The weakness of British industry and imperialism was exposed immediately after WW1. The UK rate of profit plummeted by 30-60% between 1914 and 1921. Britain entered a depression that was sharp and catastrophic to its ageing industry. The government tried to restore and preserve its hegemonic position globally in trade and finance by sticking to the gold standard. But this just weakened the position of British industry in global markets further, especially once France and Germany recovered from the war and Germany was relieved of the draconian reparations imposed under the Versailles treaty.

British capital then set about closing down old industries and reducing the share of value going to labour in a big way to restore profitability. This policy was cemented by the defeat of the transport unions in 1921 and the defeat of the general strike of 1926. The government came off the gold standard in 1925. This laid the basis for a sustained rise in UK profitability that even the Great Depression of the 1930s did not stop (in contrast to the US). Britain had its depression first.

Under a), the rate of profit rose from 15% to 21% from 1921 to 1938 and in b) it rose from 12% to 24%. Profitability did fall during the worst years of the Great Depression 1930-32, but remained above the level of the early 1920s and recovered significantly from the mid-1930s. UK profitability was restored by the counteracting factor of an increased rate of exploitation of labour exceeding any rise in the organic composition of capital. In the 1920s, the rate of surplus value (exploitation) rose nearly 26% while the organic composition of capital fell (as old means of production were disposed of). In the 1930s, the impact of the Great Depression was to drive down the organic composition of capital even further, while the rate of surplus value stabilised. 30

The profitability of capital in the UK (and the US) reached peaks during the second world war. This was partly the product of new profits from arms production, so that investment in productive 'civilian' assets fell, reducing the organic composition of capital. But it was also because the wages of labour were diverted into 'savings' (war bonds) that were utilised by

the governments to pay for arms and the war machine. The rate of surplus value rose accordingly.

But after the war, British capitalism was in an exceedingly weak position, obviously compared to the US, but also compared to France and Germany (and even Japan), where American credit and capital was ploughed in to exploit millions of cheap labour and able to use the latest technology to boost productivity and lower unit costs to compete (with weaker currencies) on world markets. As at the end of the first world war, the UK had ageing capital stock and while it had some new technologies to exploit, it had a small workforce unwilling to be exploited at low rates after being 'winners' in the war.

So it was not long before UK profitability began to fall sharply. All the major capitalist economies began to experience a 'classic profitability' crisis from about the mid-1960s. But the profitability crisis came earlier for the UK. As a result, it was also the first major capitalist economy to try and reverse the decline with policies of 'neo-liberalism' designed to raise profitability by increasing the rate of exploitation and privatisation of state assets that had been expanded in the immediate post-war period. Neoliberalism in the UK began as early as the end of the first simultaneous global recession of 1974-5, when the then Labour government called on IMF emergency funding and dispensed with so-called Keynesian government spending policies.

In summary, whenever the organic composition of capital rose faster than the rate of surplus value, the rate of profit fell, as in 1946-75. Whenever the reverse was true, the rate of profit rose, as in 1975-97. Overall, there was a secular fall from 1946 to 2008, when the organic composition of capital nearly doubled while the rate of surplus value rose by only 7%. All this tends to confirm that Marx's law can explain changes in the UK rate of profit.

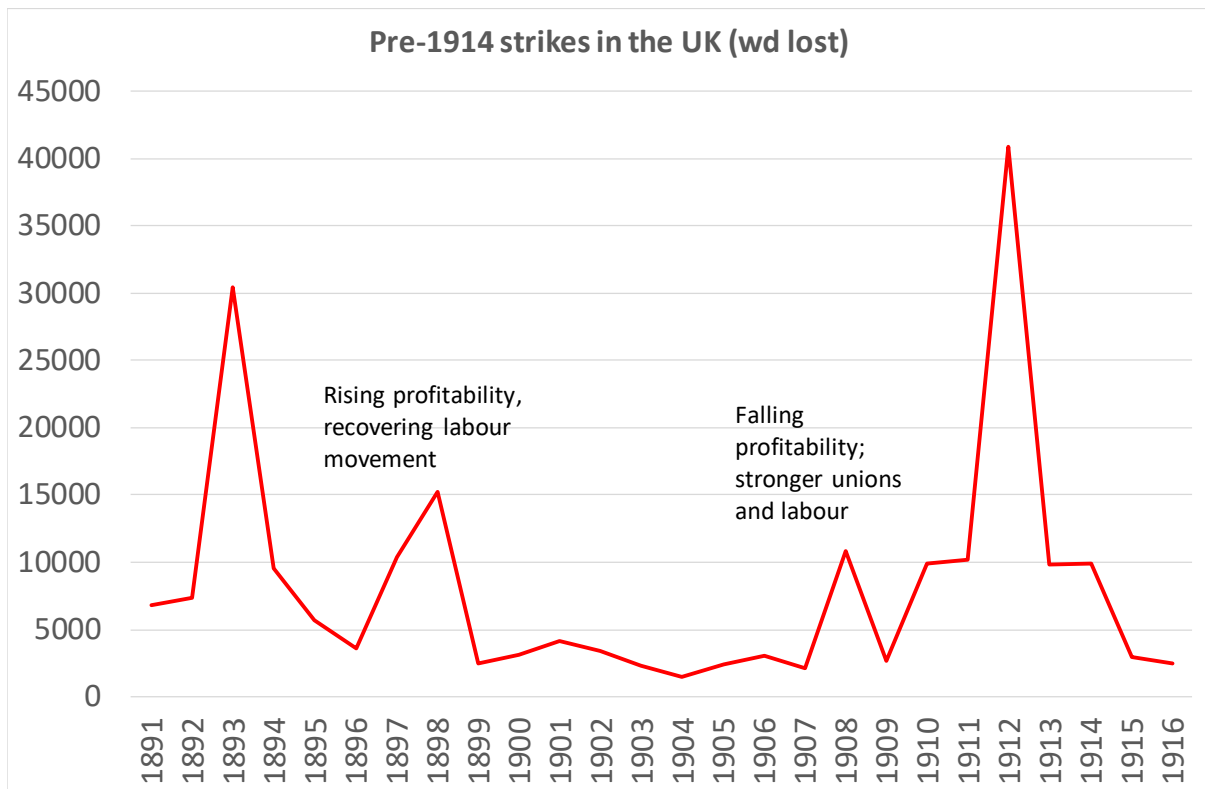
## Mapping out the class struggle

Now let us be more ambitious. Can we apply an analysis of the intensity of the class struggle in Britain using the evidence of accumulation and the profitability of capital? Mapping out the class struggle in this way produces some interesting observations.

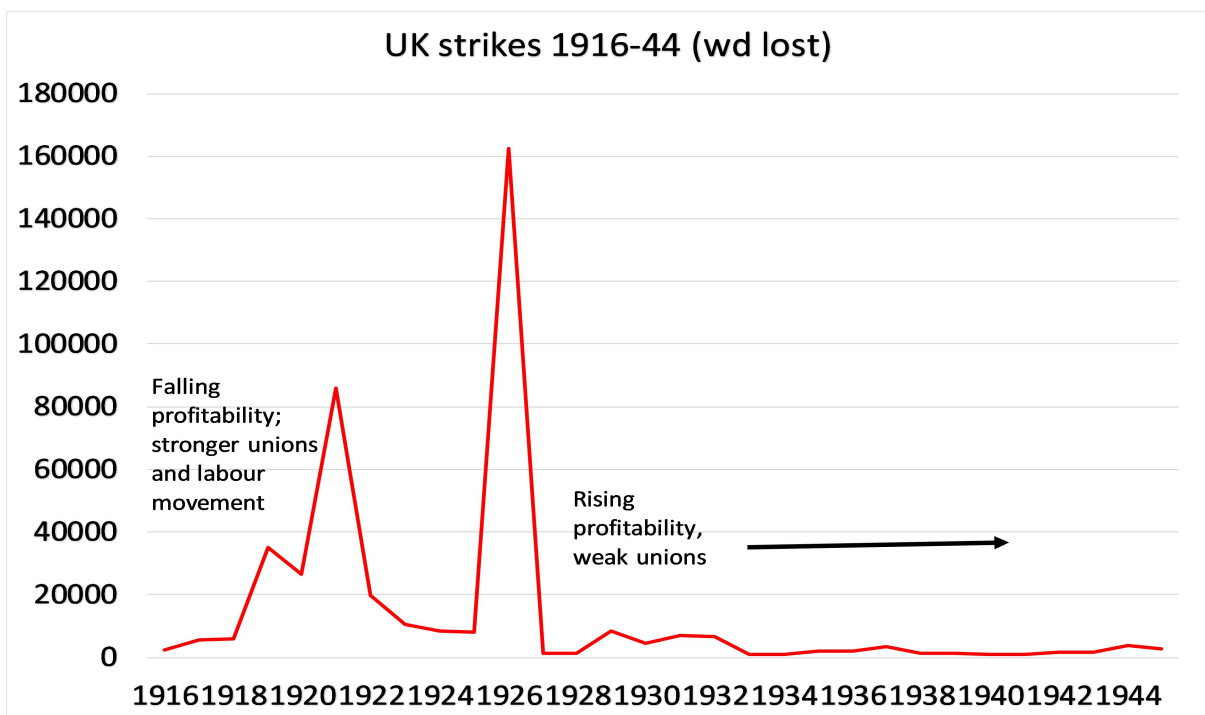
When Marx was writing *Capital*, the UK economy was experiencing a boom in profitability and growth and British capital was ruling the world and at its zenith. However, from the late 1860s, profitability turned down and the UK, along with other major economies entered a long depression through the mid-1880s (longer in the US). Depression weakened the old unions and class struggle faded. After the crushing of the Paris Commune in 1871, the first international was dispatched to retirement in New York by Marx.

If we divide the history of British capital after Marx's death in 1883, we can link the profitability of capital to the intensity of class struggle as defined by the level of strikes. In the period from the 1890s to the first world war, we find that strikes were initially high as new mass unskilled unions formed as British capital recovered some profitability after the end of the depression of 1880s. But strikes dropped off after the late 1890s as profitability reached a peak and wage demands were met. However, from the 1900s profitability of

capital began to diminish and in the years leading up to the war, strong unions and a rising labour movement engaged in more intensified struggle.



After the end of the war, that struggle resumed. But with the defeat of the transport unions in 1921 and the general strike in 1926, UK profitability jumped up and intense class struggle dropped away through the end of the second world war.



The post-1945 period started with high profitability and growth (after 1946), leading to a recovery in trade unions (in new industries). Strikes rose a little but class struggle was generally ameliorated by concessions and wage increases (closed shops etc). However, from the mid-1960s, UK capital entered the long profitability crisis (as in other economies).

Capital needed to reverse this by crushing labour power. Strong unions took on capital in the most intense class battle since the early 1920s. Two big slumps and other neo-liberal measures defeated union power and the class struggle subsided. The neoliberal period ended in the 2000s and capitalism entered a long depression after the Great Recession. There has been no recovery in the labour movement or class struggle.



Does this mean that class struggle (the battle between capital and labour over the production of surplus value) is dead? Well this map does imply that only a recovery in profitability allowing labour to recover its organised strength in new industries and sectors can create the conditions for intensified struggle when profitability drops back again – as it will. That suggest a generation ahead before we can see class struggle as experienced in the 1910-26 period or in the 1970s.

## Waiting for Godot

But Marx's laws about capital accumulation have not gone away. Crises will reoccur at regular intervals with the accumulation of capital and the longer capital accumulates the more difficult it will be for capital to deliver the needs and desires of humanity as capital concentrates and centralises, inequality of wealth and income remains embedded and even increases. And there is no avoidance of this downward spiral.

It is the prime result of Marx's *Capital* and his laws of accumulation and profitability that opposition to capitalism is not an irrational response to capitalism's temporary difficulties, but a necessity dictated by the progressive inability of the system to sustain humanity.

I am reminded of the debate that took place at session of the 2016 American Economic Association conference in Boston between Marxist scholars and the top Keynesian economist Brad DeLong on whether capitalism could be corrected or reformed. DeLong claimed that Marxists were like characters in the Sam Beckett play *Waiting for Godot*, because they argued that nothing could be done to turn an economy around unless the profitability of big capital rose.<sup>31</sup>

That's wrong, proclaimed Delong. Something can be done. We can solve it with economic policies now. You see the problem is not profitability. The problem is the lack of demand bred by rising inequality of incomes and wealth. "The problems we face now include "a deficiency of aggregate demand, brought on by a combination of growing inequality and a mindless wave of fiscal austerity." The cure is an increase in aggregate demand, far-reaching redistribution of income and deep reform of our financial system. The obstacles to this cure, he writes, "are not rooted in economics, but in politics and ideology." You see, we Marxists are wrong because there are policy actions that can put things right and yet we do not advocate them.

DeLong's position sums up the view of the Keynesian 'left'. The crisis in capitalism can be solved within capitalism in the usual 'social democratic' way through increased public spending and progressive taxation on inequality.

In 1867, Marx was not opposed to reforms, like a reduction in the working day or progressive taxation. Indeed, as head of the International Working Mens Association at the same time as writing *Capital*, Marx fought for a reduction in the working day and progressive taxation.

And Marxists now are not opposed to and/or closing the tax gap (avoidance and evasion), or government spending on education, infrastructure or health. Such measures can only help labour at capital's expense.

But that is the point. Such measures will severely undermine the profitability of capital. So they are opposed by the ruling strategists of capital. 'Social democratic' reforms were conceded (reluctantly) to labour pressure in the 'Golden Age' of the 1950s and 1960s when the profitability of capital was high. But after profitability fell to lows by the early 1980s, the 'neo-liberal' counter-revolution of lower corporate taxes and taxes on the rich, bank deregulation, trade union restrictions and privatisation became the norm. This was no accident. It was done to drive up profitability with some success.

It is an illusion on the part of DeLong that capitalism is prepared to return to that era to save itself with 'extra demand'. The 'second coming' of social democracy (to use DeLong's phrase) is not on the agenda.

The analysis of capitalist accumulation ends, as Marx said in a letter to Engels: "In the class struggle as a finale in which is found the solution of the whole smear! From a struggle over

wages, hours and working conditions or relief, it becomes, even as it fights for those things, a struggle for the overthrow of the capitalist system of production – a struggle for proletarian revolution.”<sup>32</sup>

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<sup>1</sup> “The profit of the capitalist class has to exist before it can be distributed.” Marx Grundrisse p684 1973

<sup>2</sup> F Moseley, Money and Totality, <http://www.brill.com/products/book/money-and-totality>

<sup>3</sup> F Moseley op cit

<sup>4</sup> “In Volume 1 we investigated the phenomena exhibited by the *process of capitalist production*, taken by itself, i.e. the immediate production process, in which connection all secondary influences external to this process were left out of account. But this immediate production process does not exhaust the life cycle of capital. In the world as it actually is, it is supplemented by the *process of circulation*, and this formed our object of investigation in the second volume. Here we showed, particularly in Part Three, where we considered the circulation process as it mediates the process of social reproduction, that the capitalist production process, taken as a whole, is a unity of the production and circulation process. It cannot be the purpose of the present, third volume simply to make general reflections on this unity. Our concern is rather to discover and present the **concrete forms** which grow out of the *process of capital’s movement considered as a whole*. In their actual movement, capitals confront each other in certain **concrete forms**, and in relation to these, both the shape capital assumes in the direct production process and its shape in the process of circulation appear merely as particular moments. The **configurations of capital** [*Gestaltungen*], as developed in this volume, thus approach step by step the **form** in which they appear at the surface of society, in the action of different capitals on one another, i.e., in **competition**, and in the everyday consciousness of the agents of production themselves.” Marx 1981, p. 117.

<sup>5</sup> <https://www.turnaround-uk.com/a-reader-039-s-guide-to-marx-039-s-capital-212666.html>

And see David Harvey, A Companion to Marx’s Capital (Verso, 2010); A Companion to Marx’s Capital Volume 2 (Verso, 2013). Those who want to understand the disagreements can consult: Alex Callinicos and Joseph Choonara, “How not to write about the rate of profit: A response to David Harvey”, Science & Society, volume 80, number 4 (October 2016).

<sup>6</sup> For example, Marx argues that there is no systematic general law that governs the rate of interest. Instead, the rate of interest is determined by the demand and supply of loanable capital. Because interest appears to rise up from money itself, interest is highly fetishistic. Marx insists that its possibility is directly manifest from production of surplus-value and unpaid labor and is subsumed within that.

<sup>777</sup> “The directing motive, the end and aim of capitalist production, is to extract the greatest possible amount of surplus value and consequently to exploit labor power to the greatest possible extent. As the number of cooperating laborers increases, so too does their resistance to the domination of capital, and with it, the necessity for capital to overcome this resistance by counterpressure. The control exercised by the capitalist is not only a special function due to the nature of the social labor process and peculiar to that process, but it is at the same time a function of the exploitation of a social labor process, and is consequently rooted in the unavoidable antagonism between the exploiter and the living and laboring raw material he exploits.”

<sup>8</sup> ch. 25, §2

<sup>9</sup> <https://www.marxists.org/archive/marx/works/1867-c1/ch24.htm#23a>

<sup>10</sup> F Moseley: The main point of *Chapter 25* (‘The General Law of Capitalist Accumulation’ is the effects of the accumulation of the total social capital on the working class as a whole (Marx says this in the first sentence of the chapter). The adjective ‘general’ in this title (similar to the title of Chapter 4) indicates that this law applies to



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all capitals, i.e., to capital in general, not to individual capitals or individual industries. The main factor in this analysis is the composition of the total social capital (the ratio of constant capital to variable capital for the economy as a whole), and the tendency of this ratio to increase over time as a result of technological change. The increase in the composition of the total social capital reduces the demand for the labour power of workers, and hence increases unemployment, or the ‘industrial reserve army’, of the working class as a whole. The ‘general law’ of capitalist accumulation is that the capitalist mode of production tends to produce both increasing wealth in the hands of capitalists and increasing poverty suffered by workers.

<sup>11</sup> “The larger the Lazarus stratum of the working class and the larger the industrial reserve army, the larger too is the army of those who are officially accounted paupers. This is the absolute general law of capitalist accumulation”.(Marx’s italics).Vol One, Chapter 25

<sup>12</sup> Capital Vol one. P770.

<sup>13</sup> Capital Vol one p790

<sup>14</sup> Grundrisse p748

<sup>15</sup> “The fact that the means of production and the productivity of labor increases more rapidly than the productive population, expresses itself, therefore, capitalistically in the inverse form that the laboring population always increase more rapidly than the conditions under which capital can employ this increase for its own self-expansion”. Chapter 25

<sup>16</sup> David Harvey is entirely dismissive of the rising organic composition of capital as a cause of falling profitability, writing that “it is hard to make Marx’s theory of the falling rate of profit work when innovation is as much capital or means of production saving....as it is labour saving” (Harvey, 2010: 94).

<sup>17</sup> “If it is said that overproduction is only relative, this is quite correct; but the entire capitalist mode of production is only a relative one, whose barriers are not absolute ... The contradiction of the capitalist mode of production, however, lies precisely in its tendency towards an absolute development of the productive forces, which continually come into conflict with the specific conditions of production in which capital moves, and alone can move”. Vol 3 p. 366)

<sup>18</sup> Capital Volume 3 p357

<sup>19</sup> Capital Volume 3 p359

<sup>20</sup> Capital Volume 3 p572

<sup>21</sup> Capital Volume 3 p 621

<sup>22</sup> Marx Grundrisse 1968 512

<sup>23</sup> Economic Crisis and Crisis Theory. Paul Mattick 1974, <https://www.marxists.org/archive/mattick-paul/1974/crisis/ch02.htm>

<sup>24</sup> G Carchedi, The Return from the Grave, 2009

<sup>25</sup> E Maito, And yet it moves down, [https://mpira.ub.uni-muenchen.de/58007/2/MPRA\\_paper\\_58007.pdf](https://mpira.ub.uni-muenchen.de/58007/2/MPRA_paper_58007.pdf)

<sup>26</sup> <https://estebanmaito.wordpress.com/2015/10/07/international-labor-productivity-technical-and-value-composition-of-capital-and-output-capital-ratio-1950-2011-a-broad-check-on-some-marxian-hypotheses/>

<sup>27</sup> “Since the development of the productiveness and the correspondingly higher composition of capital sets in motion an ever-increasing quantity of means of production through a constantly decreasing quantity of labour, every aliquot part of the total product i.e. every single commodity, or each particular lot of commodities in the total mass of products – absorbs less living labour, and also contains less materialised labour, both in the depreciation of the fixed capital applied and in the raw and auxiliary materials consumed. Hence every single commodity contains a smaller sum of labour materialised in means of production and of labour newly added during production. This causes the price of the individual commodity to fall. But the mass of profits contained in the individual commodities may nevertheless increase if the rate of the absolute or relative surplus value grows.

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The commodity contains less newly added labour, but its unpaid portion grows in relation to its paid portion. However, this is the case only within certain limits. With the absolute amount of living labour newly incorporated in individual commodities decreasing enormously as production develops, the absolute mass of unpaid labour contained in them will likewise decrease, however much it may have grown as compared to the paid portion.” [www.marxists.org/archive/marx/works/1894-c3/ch13.htm](http://www.marxists.org/archive/marx/works/1894-c3/ch13.htm). Capital Volume 3 Chapter 13.

<sup>28</sup> Capital Vol 3 chapter 15

<sup>29</sup> “The UK rate of profit”, to be published in The World in Crisis, upcoming from Zero Books

<sup>30</sup> In the 1930s, however: “In terms of the balance of class forces, while labour was severely weakened by mass unemployment, capital could not take advantage because of the collapse in world markets. The comfortable corporatism engendered by the shelter of protectionist tariffs was not a period of intense class struggle. Indeed, for capital, the adverse effects of a return to gold at an overvalued exchange rate and the collapse of the international economy into a protectionist, semi-autarky just about counterbalanced the positive effects of the General Strike victory and the rapid rise of unemployment. Apart then from the first half of the 1920s, the rise in the rate of profit did not have as a contributory factor a rise in the rate of surplus-value. Rather, the rate of profit was driven up by the maintenance of productivity growth while capital intensity fell.” Brown and Mohun, <http://gesd.free.fr/mohun11.pdf>

<sup>31</sup> <https://thenextrecession.wordpress.com/2016/01/11/brad-delongthe-marxists-and-the-long-depression/>

<sup>32</sup> Marx to Engels, quoted from Mattick op cit.