

# Toward the foundations of Crises

## Academic Marxism and Crises

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# 1. Academic Marxism and Scientific Socialism

## 1.1 Marxism, a critique of Political Economy

### 1.1.1 The two tendencies of political economy

We have often stressed that Marx undertook a *critique of political economy*, of economic science. Marx considered as “classical” political economy from its birth with Petty and Boisguilbert to its peak with Ricardo and Sismondi. Around 1830, economic science began to be struck by the appearance of a modern proletariat that laid claim to political power and by the first crises of overproduction, leading to its decline. Classical political economy changed into vulgar political economy.

Classical political economy can be divided into two main tendencies.

The first of them, whose last great representative was Ricardo, one of the theoreticians of the falling rate of profit<sup>1</sup>, admitted the possibility of only partial crises of a contingent and fortuitous nature. This school considered that the disproportion between productive sectors creates shortages, on one hand, and partial overproduction on the other. These limited crises were self-adjusting and, if market forces were not affected, price changes and the movement of capital led to establishing a fresh equilibrium.

The other tendency, called underconsumptionist, whose last major exponent was Sismondi, put the final word to effective demand and, at the same time, cast doubts on the most developed economic thought over the capacity of the capitalist mode of production to last over the long-term. The underconsumptionists considered that the factors that hindered the expansion of effective demand, and thus blocked its falling in line with increasing production, were both structural and permanent.

### 1.1.2 Vulgar Marxist political economy

We have also shown that various dominant and opposing currents of Marxism have steered clear of following the tradition of the *critique* of political economy. They have instead renewed themselves using these tendencies of political economy<sup>2</sup>, reducing revolutionary theory to the level of vulgar political economy<sup>3</sup> (which developed after the peak reached by classical political economy), while at the same time they partially regenerated this type of political economy<sup>4</sup>.

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<sup>1</sup> The explanatory mechanisms used there differ greatly from those of Marx.

<sup>2</sup> For example, our criticism of the theory of the falling rate of profit of Grossmann-Mattick has shown how near their intellectual approach is to that of Ricardo. In the same way, we have shown how the theories of Rosa Luxemburg and her epigones are related to those of underconsumptionism.

<sup>3</sup> “The vulgar economist does practically no more than translate the singular concepts of the capitalists, who are in the thrall of competition, into a seemingly more theoretical and generalised language, and attempt to substantiate the justice of those conceptions.” (Marx, *Capital* Vol. III, in *Collected Works*, Vol. 37, p. 229). If we substitute salaried middle class for capitalist, add consumption, circulation and competition, we can get vulgar Marxist political economy professing a variety of petit bourgeois socialism.

<sup>4</sup> Engels remarked that the bourgeoisie had to sacrifice its own economic theory:

“It is an excellent sign that the bourgeois should already be having to sacrifice their pet classical economic theory, partly on political grounds and partly because they themselves have lost faith in it as a result of its practical consequences. The same thing is evident in the growth of armchair socialism, which, in one form or another, is increasingly supplanting classical economics in academic faculties on both sides of the Channel. The real contradictions engendered by the mode of production have in fact become so glaring

These nuptials in a vulgar way with one or other of these two tendencies (even if they avoid causing syncretic confusion, which is worse still) of political economy clearly constitute a negation of and the funeral for scientific socialism<sup>5</sup>.

## 1.2 The range of Academic Marxism

The army (which is strongly tainted with anti-globalization, another type of petit bourgeois socialism) of academic Marxism itself divides into the two large tendencies of the political economy we have previously mentioned. For example, in the debate between supporters of the falling rate of profit and those who insist on the rising rate of surplus value with its consequences on effective demand, we can again see the divisions running through the history of political economy.

The polemic has notably ranged Michel Husson and Alain Bihr against the supporters of an “orthodoxy” considered as dogmatic by the former, a large part of the group of participants taking shelter behind the late Ernest Mandel<sup>6</sup>. The debate between the “underconsumptionists”, the contemporary followers of Sismondi, and the supporters of the falling rate of profit, inspired by Ricardo, takes place within the bounds of academic Marxism.

Who are the major figures?

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that no theory will now serve to conceal them save the hotchpotch of armchair socialism which, however, is not a theory but sheer drivel.” (Engels to Bebel 20-23 January 1886 in Collected Works Vol. 47, p. 390) Political economy is criss-crossed by contradictory tendencies. The class struggle made it turn to apologetics and vulgar economics. After the Paris Commune even any reference to classic economics (and previous vulgar economics) was thrown overboard to be substituted by concepts based on utility value. The First World War and the revolutions it gave rise to, then the 1929 crisis again threw the bourgeoisie into confusion leading to the emergence of the Keynesian rehash which social democracy gladly took up later, seeing that the democratic and Stalinist counterrevolution allowed for the emergence of a doctored Marxism contributing in its own way to regenerating political economy, while at the same time burying revolutionary Marxism. The bourgeoisie was led to dream that Marxism, even as a parody of its opposite, could be side-lined to the museum of ideas following the fall in the number of workers in the statistics of more developed countries after 1975, later reinforced by the collapse of the false socialism in Eastern Europe. However, a new crisis, theoretically ruled out by our dear economists, stirred up yet again the evergreen “crisis of economic science”, giving the honours to academic Marxism.

<sup>5</sup> The petit bourgeois that hangs around the fringes of the ultra-left, like Roland Simon, can pose as followers of Henrick Grossmann/Paul Mattick (shortly we shall see that the concept of the falling rate of profit of these two authors has nothing in common with that of Marx) and at the same time as critical empiricists. They therefore try in their own way to put together the two tendencies of political economy: “If this crisis leads us to this theoretical return, it is because we are faced with a contradictory piece of double evidence. On the one hand, the only coherent Marxist theory of crisis is the one developed by Paul Mattick, that is, the one based on the tendency of the rate of profit to fall; while on the other hand this crisis is a crisis of underconsumption (it is so, but does not “appear so”). Our main theoretical challenge as a productive challenge can only take into account the theses of the overaccumulation of capital in relation to its capacity to valorise, that is to say with Mattick and his two main works on the matter: ‘Marx and Keynes’ and ‘Economic Crisis and Crisis Theory’....” (Roland Simon, *Crise et théories des crises*, summer 2009)

<sup>6</sup> We scarcely have the time to deal with the critique of the “Marxism” of Ernest Mandel. The reader can nevertheless have an idea of the damage he has caused by reading the book available on our internet site which puts together various works that appeared in the review *Communisme ou Civilisation*. Cf. *La théorie marxiste des crises*, the chapter “Ernest Mandel entre dans le troisième âge” which deals with Mandel’s theories of arms production.

We can begin with the “underconsumptionist” tendency.

- Michel Husson, who does research at IRES (Institut d'Etudes Economiques et Sociales, which is close to the trade unions), former member of the PSU [left socialist party 1960-1989], then of the LCR [Fourth International], supporter of José Bové at the French Presidential elections and now also a member of the scientific committee of Attac [a leftist pressure group]. He does not lack a sense of humour. He even considers himself to be essential in plugging the gaps left wide open by the insufficiency of Marx's analysis.
- Gérard Duménil, Head of Research at the CNRS, member of the scientific committee of Attac. He supports another Marxism which states that “(...) modern societies are dominated by two social forces, one tied in with *ownership of capital*, the other to organizational and cultural *management competence*. A popular policy presupposes forming an alliance with the second one to eliminate the first one.” Presentation to the work *Altermarxisme*. Another Marxism for another world.
- Dominique Lévy, Research Director at the CNRS, alter ego of Gérard Duménil (they have co-authored many works), member of the Attac scientific committee.
- Jacques Gouverneur, a graduate in law and economics whose career as Professor has been at the Catholic University of Louvain-la-Neuve (UCL). He supports petit bourgeois policies to resolve the social question<sup>7</sup> and he is also the theoretician of a “purely social” concept of value where a good number of concepts belonging to scientific socialism get the worst of it.
- Alain Bihr, a Professor at the University of Franche-Comté who has a more libertarian outlook than the previously mentioned authors. He is a founder and contributor to the bulletin *A contre courant*, that comes from the CFDT movement and thus is a siren of company socialism and self-management, yet another variety of petit bourgeois socialism.
- Marcel Roelandts, the latest recruit to this band of brothers, a university lecturer and researcher in several Hautes Ecoles, who also runs the internet site <http://www.capitalisme-et-crise.info><sup>8</sup> along with Jacques Gouverneur. He wrote the book *Dynamiques, contradictions et crises du capitalisme*. Even though he agrees with the general analyses of the tendency mentioned here<sup>9</sup>, his desire to synthesize the two contending branches of vulgar marxism means we will be able to use him as a reference point.
- As for the others that we do not really know all that much about, it seems very likely that their curricula are very much the same.

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<sup>7</sup> “The solution to these problems can be found by applying alternative policies: an increase in public taxation (mainly on profits) to finance socially useful production, reduction of the working day in order to increase employment and free time, to promote solidarity.” (Jacques Gouverneur, *Which economic policies to adopt to face the crisis and unemployment?* 1999), [http://www.capitalisme-et-crise.info/fr/Jacques\\_Gouverneur/Biographie\\_et\\_bibliographie](http://www.capitalisme-et-crise.info/fr/Jacques_Gouverneur/Biographie_et_bibliographie).

<sup>8</sup> The web site “Capitalisme & Crises économiques” wishes to become a place for debates and the publication of material for analysis aimed at understanding society in its economic dimension. It claims to be a critical analysis in the wider sense of the term. However, it is neither a political site, not a propaganda site, but instead above all a tool for analyses and discussion aimed at understanding the world.” (Extract from the Presentation on the Home Page). We thought we had learned, along with Karl Marx, that the important thing was not so much understanding the world as changing it.

<sup>9</sup> In a text dedicated to the discussion of an article by Alain Bihr that appeared later than the work we will analyse below, he concluded his remarks as follows: “I wish (...) to reaffirm my overall agreement with your analysis and the very high quality of your contribution. My remarks only seek details in the framework of an overall agreed analysis” (Discussion of the article by Alain Bihr, *From a crisis of valorization to a crisis of realization*, p. 6, Marcel Roelandts, March 11 2011)

We can now rapidly run through the other branch of academic Marxism, the pseudo “orthodox” and “dogmatic” one opposing the previous one. The main exponents are:

- François Chesnais, Professor at the University of Paris 13, member of the NPA [New Anticapitalist Party, the new version of the LCR] and of the scientific committee of Attac, member of the committee for the review *Carré rouge*.
- Louis Gill, retired professor of the University of Québec at Montréal.
- Alan Freeman, economist for the Greater London Authority and visiting researcher at the University of Manitoba, participant in the Association for Heterodox Economics and co-editor of *Critique of Political Economy* (COPE).
- Andrew Kliman, co-editor with Alan Freeman of *Critique of Political Economy* (COPE), Economics Professor at Pace University, New York, and member of the Marxist-Humanist Initiative (MHI) inspired by the theses of Raya Dunayevskaya.
- Robert Brenner, History Professor, director of the “Center for Social Theory and Comparative History” at the University of California Los Angeles, editor of *Against the Current* close to “Solidarity (United States)”<sup>10</sup>, member of the Editorial Board of *New Left Review*.
- Fred Moseley, Economics Professor at Mount Holyoke College, Massachusetts. He is the author of books and articles on the falling rate of profit. Although he considers that recent crises are not fundamentally the outcome of a short-term outlook and the greediness of bankers, he nevertheless thinks that there is a structural factor leading to the crisis in the capitalist financial system. This system is essentially speculative and its best theoretician is not Marx, but Hyman Minsky. As the recent crises are more like crises according to Minsky than crises according to Marx, Marx’s analysis has to be supplemented by that of Minsky<sup>11</sup>.
- Isaac Johsua, former Lecturer at the University of Paris 11, member of the scientific committee of Attac. During the great crisis of the 21<sup>st</sup> Century, he stated that “the typical capitalist crisis is therefore quite clearly not of underconsumption, but of overaccumulation, lasting for a very long period starting back in the last third of the 19<sup>th</sup> Century through to the First World War. Nevertheless, when rereading Marx, it is undeniable that he insists more on a crisis of underconsumption (...)” p. 56.
- As for the others that we do not really know all that much about, it seems very likely that their curricula are very much the same.

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<sup>10</sup> An organization that was basically a split from Trotskyism. It follows, or better said, preceded, the slide of NPA towards the official rejection of the foundations of Marxism to be replaced by themes that form the leading ideas (critique of consumerism, ecology, feminism, antiracism, etc.) of the middle classes that have been radicalized by their declassing and the perspective that the course the capitalist mode of production holds for them.

<sup>11</sup> “The main problem in the current crisis is the financial sector. Harman says that the crisis is not due mainly to the bankers’ greed and short-sightedness. I agree with that, but I would say the problem is more fundamental – the nature of the capitalist financial system, which is inherently speculative. The best theorist of the capitalist financial system is Hyman Minsky, not Karl Marx. The current crisis is more of a Minsky crisis than a Marx crisis, I am not saying that we should throw away Marx (obviously), but rather that we should supplement Marx with Minsky, especially for analysis of the modern capitalist financial system.” (Fred Moseley, *International Socialism*, 24 June 2008.)



### 1.3 Petit bourgeois socialism and the proletarian party

*“Scientific political economy has been forgotten and betrayed by bourgeois society and finds its followers exclusively among class conscious proletarians.” Rosa Luxemburg*

How can anyone think that people, whose political action aims to preserve the capitalist mode of production and to submit the action of the proletariat to the interest of the middle classes, can produce a scientific analysis of the capitalist mode of production?

How can anyone think that those with the political and theoretical horizon of petit bourgeois socialism can make a theoretical analysis that demonstrates the need for the revolutionary overthrow of the bourgeoisie?

How can anyone think that they can do anything other than instill into the proletariat theories that have the sole objective of perpetuating their status of wage slaves?

Scientific socialism is the theory of the proletariat that has formed its own political party, independent of and opposed to the parties of other classes. It is not a neutral theory which other classes can add their contribution to in an open scientific debate where all that matters is being of good will, because it is a scientific point of view and a class point of view and it can only be scientific if it is the point of view of the productive class. This does not mean that intellectuals cannot contribute to it, but, if they do so, it is after abandoning the ideology of their class to rally to the point of view of the revolutionary proletariat<sup>12</sup>. The class struggle takes place on scientific grounds too and is no less bitter.

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<sup>12</sup> Engels noted the rising petit bourgeois influence within social democracy and protested endlessly to the party leaders to take measures to block this influence:

“During 2 or 3 years a crowd of students, literati and other young déclassé bourgeois invaded the party, arriving just in time to take most of the editorial posts in the new papers that were then proliferating. In their usual fashion they regarded their bourgeois universities as socialist Saint-Cyrs entitling them to enter the party in the rank of officer, if not a general. These gentry all dabble in Marxism, albeit of the kind you were acquainted with in France ten years ago and of which Marx said: ‘All I know is that I’m not a Marxist.’ And he would doubtless say of these gentry what Heine said of his imitators: ‘I sowed dragons and I reaped fleas.’” (Engels to Lafargue, 27 August 1890, in *Collected Works* Vol. 49, pp. 21-22)

“My only connection with the retiring editors was that for the past few weeks they had been sending me, unsolicited, their paper; I did not find it necessary, however, to tell them what I thought of it. Now I really have to tell them, and in public at that.

Theoretically I found in it – and this is true by and large for the rest of the “opposition” press – a frenziedly distorted “Marxism” marked on the one hand by a considerable misunderstanding of the viewpoint which it claimed to represent, and on the other by a gross ignorance of the decisive historical facts on every occasion, and thirdly by that knowledge of their own immeasurable superiority which so advantageously distinguishes German scribblers. Marx foresaw such disciples when he had to say at the end of the seventies about the “Marxism” raging among certain Frenchmen: *“tout ce que je sais, c’est que moi, je ne suis pas marxiste”* – I know only this, that I am not a Marxist.

Practically, I found in the paper a ruthless disregard of all the actual conditions of party struggle, a death-defying “surmounting of obstacles” in the imagination, which may do all honour to the untamed youthful courage of the writers, but which, if transferred from the imagination to reality, would be sufficient to bury the strongest party of millions under the well-earned laughter of the whole hostile world. That even a small sect cannot allow itself, unpunished, such a schoolboy policy – in this respect the gentlemen have had curious experiences since then.(...)

May they come to realize that their “academic education” – in any case requiring a thorough, critical self-assessment – does not provide them with an officer’s commission and a claim to the corresponding post in the party; that in our party everybody must work his way up; that positions of trust in the party are not won simply through literary talent and theoretical knowledge, even if both are undoubtedly present, but

We should recall the remark made by Bordiga that a research doctorate makes a person closer to being a cretin than a school leaver's certificate when we take into account the various economics professors and Nobel Prize Winners<sup>13</sup>. This said, the weak party of the proletariat, with its flickering light and limited strength, does not deny for a moment that the whole arsenal of intelligence, knowledge, expertise, erudition, culture, expressive capacity, poetry, aesthetics, refinement and sensibility of the enormous ideological mass that the bourgeoisie produces and maintains (filling more than all the dustbins that universities can hold) is now, and perhaps will forever be, much superior to the one and always exception of social intelligence. This is what provides scientific socialism with incomparable theoretical and historical strength and which transforms it into a powerful laser which, with all our limits and failings in our capacity to explain it, we will defend tooth and nail<sup>14</sup>.

This presence of bourgeois and petit bourgeois ideology is quite clear in reformist parties. The fact that it spills over into the communist movement shows how far it has been destroyed and finds its outcome in counter revolutionary ideologies.

We can now show that the theories of academic Marxism lead to making the capitalist mode of production eternal. Leaving individuals aside, academic Marxism represents a label to be stuck on an attempt that ends up by negating the revolutionary criticism that full Marxism represents.

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that this also demands familiarity with the conditions of party struggle and adjustment to its forms, proven personal reliability and constancy of character and, finally, a willingness to join the ranks of the fighters – in short, that they, the “academically educated” all in all have much more to learn from the workers than the workers from them.” (Engels, Reply to the Editors of the *Sächsische Arbeiter-Zeitung*, September 7, 1890, in *Collected Works*, Vol. 27, pp. 70-71).

<sup>13</sup> Furthermore, one asks oneself how, year after year, the *bourgeoisie* manages a *tour de force* digging out an even bigger dickhead than the previous year.

<sup>14</sup> 12. Enemy science

Counterthesis 12: The doctrines based on the introduction of measureable quantities in production, of transfers of value between classes, with their forecasts of tendencies in historical development, are arbitrary ideologies, seeing that there can be no scientific forecast in the field of economics; the only possible science is the one based on the registration of real prices and the subsequently extremely complex events. Price theory is now used by modern economists, who are much further ahead than Marx, and by well-known authors and the most in vogue and famous professors.

Thesis 12: String up the professors! (\*)

(*Codificato così il marxismo agrario* in ‘il programma comunista’ no. 12, 14/06-3/07 1954, in *Mai la merce sfamerà l'uomo*, Iskra, Milano, 1979, p. 306)

(\*) *Les professeurs à la lanterne!* is a play on the line “Les aristocrates à la lanterne” from the *Sans culottes* version of the French revolutionary song “Ça ira”.

## 2. Marx, the fall in the rate of profit and crises

### 2.1 Introduction

In this first part, we will examine what Marx stated about the main concepts forming the basis of his theory of crisis. This means that we will be better placed to condemn the outrages perpetrated against him by the representatives of academic Marxism.

We can begin by recalling the significance of the law of the tendency of the rate of profit to fall and the ways it is expressed. Even if they are not to be separated, this law of the tendency of the rate of profit to fall is not to be confused with the sudden fall in the rate of profit taking place at the end of a cycle of accumulation, characterizing overproduction.

Later we will show that crises of overproduction lead to the same contradiction seen in the two aspects considering them from the point of view of exchange value and from that of use value. On the one hand, an insufficient production of surplus value leads to a sudden fall in the rate of profit and to a crisis in the overproduction of capital, or overaccumulation (the two terms are synonymous), while, on the other hand, the excess of the surplus product can engender an overproduction of commodities which would have a negative effect on the rate of profit.

This chapter will look particularly closely at this first aspect, while the second aspect, which is often confused with underconsumptionist theories, will be the object of the last chapter. Capital's response to this overproduction is devalorization in order to reestablish the previously prevailing relations of exploitation. We will therefore make a detailed study of what Marx meant by devalorization, as capital does everything to limit the negative effects of its own movement in limiting accumulation, while yielding to the (tendential) fall in the rate of profit.

### 2.2 The most important law of modern political economy

Even through numerous commentators have often dismissed the law of the tendency of the rate of profit to fall of having but a minor importance in Marx's theory, Marx himself saw the law as the most important in political economy. It underlies the entire dynamic of capital and expresses the contradiction of valorization/devalorization, the contradictory development of labour productivity, which combines at the same time the increase in the rate of exploitation, the rate of surplus value, and the tendency of the rate of profit to fall<sup>15</sup>.

“In every respect, this is the most important law of modern political economy, and the most essential one for comprehending the most complex relationships. It is the most important law from the historical viewpoint: Hitherto, despite its simplicity, it has never been grasped and still less has it been consciously formulated.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 133)

We have to quote the whole of the rest of this passage. Here Marx runs through the whole period of capitalist production up to its overthrow by the proletariat and the establishment of a classless society. The development of the capitalist mode of production lays the material basis for a higher

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<sup>15</sup> “Both the rise in the rate of surplus value and the fall in the rate of profit are but specific forms through which growing productivity of labour is expressed under capitalism.” (Capital Vol. III, Collected Works Vol. 37, p. 238.)

form of society. It also develops the proletariat, the social class it exploits, and which has to overthrow capitalism. He shows that at a certain point of its development it turns into a surpassed mode of production and that the development of production and social productivity must take place in another society, a classless society whose bases have been laid. This need, just like the incapacity of the capitalist mode of production to satisfy it, is clear to all who can see the general crises. These social catastrophes, whose extent tendentially increases, are repeated at regular intervals. All along the Calvary of the Cross, where each crisis is an even more painful station before the final crucifixion by the proletariat, the tendency of the rate of profit to fall sums up the catastrophic path taken by this mode of production.

This extract is fitting here:

“Beyond a certain point, the development of the productive forces become a barrier to capital, and consequently the relation of capital becomes a barrier to the development of the productive forces of labour. Once this point has been reached, capital, i.e. wage labour, enters into the same relation to the development of social wealth, and the productive forces as the guild system, serfdom and slavery did, and is, as a fetter, cast off. The last form of servility assumed by human activity, that of wage labour on the one hand and of capital on the other, is thereby shed, and this shedding is itself the result of the mode of production corresponding to capital. It is precisely the production process of capital that gives rise to the material and spiritual conditions for the negation of wage labour and capital, which are themselves the negation of the earlier forms of unfree social production.

The growing discordance between the productive development of society and the relations of production hitherto characteristic of it, is expressed in acute contradictions, crises, convulsions.” (1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, pp. 133-134)

If this law is crucial for the understanding of crises and the path of the capitalist mode of production, logically it draws upon itself the attacks of bourgeois thought, either to refute it, or to limit its importance, deflect it, revise it, and remove any revolutionary implication from it. This law, which remained a mystery for classical political economy<sup>16</sup>, has become an abomination since it was explained. It should therefore be no surprise that the law of the tendency of the rate of profit to fall has been made the target for critiques of Marxism, while its pseudo defenders have no other intent than to insert it in the framework of political economy. Therefore, it is a matter either of attacking its scientific validity, or of blunting its revolutionary cutting edge.

## 2.3 Marx and the manifestations of the tendency of the rate of profit to fall

For Marx, the tendency of the rate of profit to fall can be clearly seen only:

- over a long period
- under certain circumstances

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<sup>16</sup> “Simple as this law appears from the foregoing statements, all of political economy has so far had little success in discovering it. (...) The economists perceived the phenomenon and cudgelled their brains in tortuous attempts to interpret it. Since this law is of great importance to capitalist production, it may be said to be a mystery whose solution has been the goal of all political economists since Adam Smith, the difference between the various schools since Adam Smith having been in the divergent approaches to a solution.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 211)

### 2.3.1 The long period

The long period infers that this fall can only be evaluated over several cycles (Marx mentions 30 years in Capital Volume III, written before Volume I, which was published in 1867, while the first modern crisis dates from 1825).

The law is therefore not a non-historical law, independent of the established world market. This fact means that the law of the tendency of the rate of profit to fall applies in a definite place at a definite time and concerns several cycles of accumulation with intervals of crises of overproduction tending to deepen over time.

### 2.3.2 The circumstances

Moreover, this law only applies clearly in “certain circumstances”, which presupposes a qualitative dimension (a qualitative step, or jump) in the expression of the fall in the rate of profit, a break, moments in economic history which bring capital back down to earth and lead it to accept this fall, to recognize it as a need.

Crisis periods are notably the occasion for reorganizing the productive base and form the starting point for a new phase of accumulation. In these phases of accumulation, the rate of profit tends to rise, then to fall suddenly when the crisis arrives. The tendential fall in the rate of profit presupposes that the average of rates of profit *tendentially* falls between one cycle and the next.

Saying that this tendential fall only takes place under certain circumstances leads us to add that, apart from this average itself, certain moments play a particularly active role in showing a tendency which can remain, leaving aside the counter tendencies to the fall of rate of profit, hidden over a certain period.

Periodical crises are certainly one of these circumstances where capital is laid bare and the eventual nominal effects evaporate, the bubbles burst, the productive base is reconstituted with the elimination of failed or surpassed actors, the scrapping of obsolete means of production, etc. In evaluating the tendential fall in the rate of profit, one can therefore add the curve that links the rate of profit at the minima of capitalist production to the curve of the average of the growth of the rate of profit.

These remarks still lie within the framework of a continuity in economic history. If we seek to take into account the qualitative and discontinuous dimension of the expression of the tendential fall in the rate of profit, we have also to understand that the effective appearance of the fall in the rate of profit, which is hidden, and counterbalanced by opposing factors, is not fully realized until the end of several cycles, when an exhausted capital abandons its historical role, while awaiting the final blow to be delivered by the proletariat.

## 2.4 The representations of political economy

Why does the fall in the rate of profit lead to a crisis? Are capitalists unable to compensate for the fall in the rate of profit by an increase in its volume?

These questions have led many exponents to find a “point of no return” beyond which a crisis becomes inevitable. After they have found it or not, they draw the conclusion of the relevance or not of the law of the tendency of the rate of profit to fall as the explanatory factor in crises of overproduction.

The recognition of the fall in the rate of profit does not in itself imply the existence of general crises of overproduction. Ricardo, for example, foresaw the evolution of society towards a stationary state as the rate of profit would have fallen so low that any further accumulation would be discouraged. Here we have the idea that productivity increases year by year, but more slowly than the investments required to obtain it. Productivity increases, but more slowly, and the rate of profit falls. Certain Ricardians thought that this could last for a long time without causing a crisis. This process would end up, if it reached this stage, with society coming to a “standstill”<sup>17</sup>.

The underconsumptionist critics of Marx in fact have the same idea as the disciples of Ricardo. For example, the followers of Rosa Luxemburg, and Luxemburg herself, as good representatives of the underconsumptionist current, could not describe the barrier which the falling rate of profit would crash into, and so concluded that the law of the tendency of the rate of profit to fall was futile in the attempt to provide a factor explaining the crisis, and substituted it with the lack of effective demand required to realize the surplus value to be accumulated. Both opponents and supporters therefore adopted a Ricardian interpretation of the fall in the rate of profit.

The underconsumptionist critics who recognized the existence of crises therefore remarked that this process could not turn into a crisis. The law of the tendency of the rate of profit to fall would therefore be incapable of explaining the crises of overproduction shaking the capitalist mode of production at regular intervals. As a consequence, the underconsumptionists came to reject, or at least reduce, the importance of the law of the tendency of the rate of profit to fall and turned to pay attention to the conditions for the realization of the social product, above all of surplus value.

However, it was the Ricardians who held that the fall in the rate of profit engendered crises. Henryk Grossmann<sup>18</sup> and Paul Mattick<sup>19</sup> were part of this school. In this representation, they enounced a “point of no return” beyond which a crisis would be reached. Grossman and Mattick considered that this point is reached when the mass of surplus value becomes insufficient to finance accumulation. Grossmann and Mattick wrongly substituted the mass of profit for the rate of profit.

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<sup>17</sup> “But though the minimum rate of profit is thus liable to vary, and though to specify exactly what it would at any given time be impossible, such a minimum always exists; and whether it be high or low, when once it is reached, no further increase of capital can for the present take place. The country has then attained what is known to political economists under the name of the stationary state.” John Stuart Mill, *Principles of Political Economy*, Book IV, Chapter III, § 2

<sup>18</sup> Henryk Grossmann (1881-1950) was born in Austrian ruled Poland. He was a member of Polish social democracy from a young age then was a member of the Social Democrat Party of Galicia. In 1908 he attended the course taught by Karl Grünberg, one of the father figures of Austromarxism. He joined the Communist Workers’ Party of Poland after the First World War. He was Professor of Economics and collaborated with the Frankfurt School of Social Research in Germany, whose first Director was Grünberg. Later he emigrated to New York. After the war he returned to East Germany to take up the Chair of Professor of Economics at the University of Leipzig where he died in 1950. He would have been considered a mediocre Stalinist Professor if the revolutionary Paul Mattick had not had the bad idea of taking over his theoretical corpus.

<sup>19</sup> Paul Mattick (1904-1981) was born in Pomerania, but grew up in Berlin in a revolutionary working class family. He joined the Spartakus league very young, then became a member of the KAPD in 1920. He emigrated to the United States in 1926 while still remaining in contact with the German left. He studied Marx and in 1929 found in Grossmann’s main work, the restoration of Marx’s theory of accumulation. He continued to propagate the tradition of the communist left throughout his life and defended and developed the point of view assimilated to that of Marx in books such as “Marx and Keynes: limits to the mixed economy” and “Economic crisis and crisis theory”. His son Paul Mattick Jr., born in 1944, follows the same tradition.

As we have shown elsewhere<sup>20</sup>, and as we shall soon see in this text, these authors had joined in with the Ricardian tradition. For them, crises could not go beyond those of disproportionality, that is, partial crises where a surplus in one sector encounters a shortage in another. The Grossman/Mattick theory boils down to stating that the surplus value is insufficient to match the requirements of accumulation. An *autonomous* rise (meaning that it does not take into account surplus value) of accumulated capital and of the organic composition of capital leads to a crisis due to the insufficiency of surplus value (in fact, the crisis consists in an imaginary disproportion).

Being unable to explain the periodical crises shaking capitalist production, they become permanent. Both the adepts of the fall of the rate of profit, such as Paul Boccara, who reinterprets and completely falsifies the theory of overaccumulation<sup>21</sup>, and the epigones of Rosa Luxemburg, together converge for clearly different motives, while not always realizing it, on the idea of a permanent crisis.

We defend what we consider the correct conception of Marx against these interpretations. There are moments when the rate of profit falls suddenly. This sudden fall is the result of a downswing in the progress of labour productivity which, in order to be overcome, has to be resolved with devalorizations, which do not come from progress made in productivity, but by the elimination of failed capitals, by ruinous price cuts, by the destruction of unused capital, etc. There is an overaccumulation of capital and its dimensions allow us to state if it is relative or absolute (cf. 'Overproduction of capital and overproduction of commodities' below). Certainly, during the course of the rate of profit there is a change of state, a qualitative change; not a quantitative "point of no return" produced by a mechanical result, but a relative, quantitative point produced by an organic development, characterized by a sudden inversion in the rise of the productivity of labour, whatever the level reached by the rate of profit may be.

## 2.5 Overproduction of capital and overproduction of commodities

Traditionally, Marxism has presented crises of overproduction as crises of the overproduction of commodities:

"We have seen that the ever increasing perfectibility of modern machinery is turned into a compulsory law by the anarchy of social production that forces the individual industrial capitalist always to improve his machinery, always to increase its productive force. The bare possibility of extending the field of production is transformed for him into a similar compulsory law. The enormous expansive force of modern industry, compared with which that of gases is mere child's play, appears to us now as a *necessity* for expansion, both qualitative and quantitative. That laughs off all resistance. Such resistance is offered by consumption, by sales, by the markets for the products of modern industry. But the capacity for extension, extensive and intensive, of the markets is primarily governed by quite different laws that work much less energetically. The extension of the markets cannot keep pace with the extension of production. The collision becomes inevitable, and this cannot produce any real solution as long as it does not break in

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<sup>20</sup> A more detailed critique of the Grossmann/Mattick theory can be found in the text (in French) dedicated to the Marxist theory of crises on our web site (<http://www.robingoodfellow.info>). Anton Pannekoek wrote an article in 1934 dedicated to the theory of the collapse of capitalism which also criticized its content. (cf. 'The theory of the collapse of capitalism', *Capital and Class*, Spring 1977, now in: <https://www.marxists.org/archives/pannekoek/1934/collapse.htm>)

<sup>21</sup> A theory that was the object of many other revisionist assertions, as we shall see later.

pieces the capitalist mode of production, so the collisions become periodic. Capitalist production has begotten another “vicious circle”.

As a matter of fact, since 1825, when the first general crisis broke out, the whole commercial and industrial world, production and exchange among civilized peoples and their more or less barbaric hangers-on, are thrown out of joint about once every ten years. Commerce is at a standstill, the markets are glutted, products accumulate, as multitudinous as they are unsaleable, hard cash disappears, credit vanishes, factories are closed, the mass of workers are in want of the means of subsistence, because they have produced too much of the means of subsistence; bankruptcy follows upon bankruptcy, execution upon execution. The stagnation lasts for years, productive forces and products are wasted and destroyed wholesale, until the accumulated mass of commodities finally filters off, more or less depreciated in value, until production and exchange gradually begin to move again. Little by little the pace quickens. It becomes a trot. The industrial trot breaks into a canter, the canter in turn grows into the headlong gallop of a perfect steeplechase of industry, commercial credit and speculation, which finally, after break-neck leaps, ends where it began – in the ditch of a crisis. And so over and over again. We have now, since the year 1825, gone through this five times, and at the present moment (1877) we are going through it for the sixth time. And the character of these crises is so clearly defined that Fourier hit all of them off when he described the first as *crise pléthorique*, a crisis from plethora.

In the crisis, the contradiction between socialized production and capitalist appropriation ends in a violent explosion. The circulation, for the time being, is stopped. Money, the means of circulation, becomes a hindrance to circulation. All the laws of production and circulation of commodities are turned upside down. The economic collision has reached its apogee. *The mode of production is in rebellion against the mode of exchange, the productive forces are in rebellion against the mode of production which they have outgrown.*” (Engels, Anti-Dühring, Collected Works Vol. 25, pp. 262-263)

“On the one hand, perfecting of machinery, made by competition compulsory for each individual manufacturer, and complemented by a constantly growing displacement of labourers. *Industrial reserve army*. On the other hand, unlimited extension of production, also compulsory under competition, for every manufacturer. On both sides, unheard of development of productive forces, excess of supply over demand, overproduction, glutting of the markets, crises every ten years, the vicious circle: excess here, the means of production and products – excess there, of labourers, without employment and without means of existence. But these two levels of production and of social well-being are unable to work together, because the capitalist form of production prevents the productive forces from working and the products from circulating, unless they are first turned into capital – which their very superabundance prevents. The contradiction has grown into an absurdity. *The mode of production rises in rebellion against the form of exchange.* The bourgeoisie are convicted of incapacity further to manage their own social productive forces.” (Engels, Additions to the text of Anti-Dühring, Collected Works Vol. 25, pp 641-642)

This clear, schoolmasterly presentation stresses the disequilibrium that is created between the progress in production, a progress that is all the greater following the growth of productivity, and the increase in demand, the growth of the size and the intensity of the market. This is what the Italian left noted when it contrasted the “Volcano of production” to the “swamp of the market”<sup>22</sup>. It is not because spending power equivalent to production is distributed (besides, this is partly so only if accumulation takes place), that the latter takes place, that needs grow in the same proportion. If potato production doubles and at the same time their value is halved due to the increase in productivity, my stomach will not go along by doubling its consumption. However, to realize the same value, the capitalist must double the sales of potatoes. If

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<sup>22</sup> International Communist Party. Report given at the General Meeting in Asti on 26-27 June, 1954 and published (in Italian) in “il programma comunista”, nos. 13-19, 1954.



increasingly efficient machines, at a relatively low price, arrive on the market, the ability to sell them will not depend on their price alone, but also on the discount market for the capitalist for the products that allows for them to be produced. The crisis of overproduction of commodities therefore regularly threatens capitalist production, something that is confused in fact with the question of underconsumption, which we will return to later (cf. part 4). Here, in part 2, we will examine overproduction of capital, overaccumulation, in detail.

However, we should note that the overproduction of commodities that we have just considered is not strictly the same as the overproduction of capital. This is another reason why we give two names to the same phenomenon: general overproduction. In fact, everything depends on the starting point chosen to examine the contradiction, if it is exchange value, the limit of capital is expressed as overaccumulation, overproduction of capital, but if it is use value, capital finds its limit in the overproduction of commodities. If the overproduction of capital creates that of commodities, the overproduction of commodities does not imply the overproduction of capital, its overaccumulation. We have the same phenomenon as a result: general overproduction. In either case, capital in all its forms (money, means of production, commodities) is frozen and there is a crisis of overproduction. In both cases the crisis is general, a catastrophic crisis, which calls for devalorization (we shall deal with the various ways of devalorizing). The overproduction of capital, overaccumulation, is caused by a sudden fall in the rate of profit, a fall whose characteristics we shall see, while with the overproduction of commodities we have the opposite phenomenon, meaning in this case it is overproduction which has the effect of lowering the rate of profit and the rate of exploitation.

These are the Scylla and Charybdis which capitalist production sails between. On the one hand, a rise in production, which means an insufficient production of surplus value leading to an overproduction of capital and, as a consequence, an overproduction of commodities. On the other hand, there is the progress of production with an expansion of the surplus production, which does not find suitable outlets, and so creates an overproduction of commodities. These are two manifestations of the same limit. The search for the maximum surplus value, valorization of capital passing on to devalorization, the increase in productivity and the growth in the mass of commodities.

Clearly, commodities are also commodity capital. If Marx distinguished in his theory of overaccumulation the overproduction of capital from the overproduction of commodities, it was to underscore and distinguish the roots of the obstacles capitalist production faces. It was the same limit described according to two different directions taken. On the one hand, he insisted on the dimension characteristic of exchange value according to the limits intrinsic in the production of the maximum surplus value. Overaccumulation, overproduction of capital, has to be related to the aim of capitalist production itself: the search for the maximum surplus value, the production of extra exchange value, of surplus value and the limits provoked by an insufficient production of it. On the other hand, the specific dimension of use value is stressed, that is to say questions regarding the form that the social product takes, its material composition (the types of use value it takes on and notably the distinction between commodities for productive consumption, the means of production, and those for individual or collective consumption), their volume, their mass, income distribution among the classes, the capacity to accumulate, the capacity to find suitable outlets for the expansion of the excess product and production, because of the limits provoked by too great a valorization and the consequent gain in productivity.

In each case, there is a general crisis of overproduction calling for the same solution, the devalorization of capital. In both cases, commodities, money and means of production are frozen, while the labour force is pushed into the reserve industrial army. In both cases, what

makes the crisis possible, which allows it to become clear, is the commodity form of the social product, the contradiction between exchange value and use value, the contradiction between commodity and money which means that the realization of commodity capital in money is not an automatic process. Overproduction and the non-realization of the social product mean, dialectically, the same thing<sup>23</sup>. Whether the overproduction of commodities is related to the overproduction of capital, or it is autonomous, in both cases, but for partly different reasons, the realization of social product does not take place and the commodities remain unsold, overproduction appears clearly, and the devalorization of capital follows. In the case of the overproduction of capital, overproduction results from the sudden fall in the rate of profit. In the other case, that of the overproduction of commodities, it is overproduction which leads to a sudden fall in the rate of profit. Whatever the immediate cause of overproduction may be, the answer will always be the devalorization of capital. Whatever the immediate cause of overproduction may be, the capital threatened by these periodical crises must in the end abandon its goal and give in to the (tendential) fall in the rate of profit.

## 2.6 The relation between the tendential fall in the rate of profit and the overaccumulation of capital

### 2.6.1 Tendential fall and sudden fall in the rate of profit

A major source of confusion encountered in many authors is the unilateral assimilation of the tendential fall in the rate of profit and the overaccumulation of capital. The failure to distinguish within the general law of the falling rate of profit between the particular moment which characterizes the overaccumulation of capital, and the overproduction of capital, takes the theory of Marx back to the level of political economy.

The tendential fall in the rate of profit is, as we have shown, a law whose timeframe stretches over several cycles of capitalist production, while the overaccumulation of capital, the corollary of the crisis of overproduction, supposes a sudden fall in the rate of profit. If we consider that the crisis marks the end of a cycle, the overaccumulation of capital corresponds to the period of this cycle. During its development, the law of the falling rate of profit can be translated, in particular moments, into the overaccumulation of capital, a general crisis of overproduction of capital, due to the drastic fall in the rate of profit.

Therefore, on the one hand we have a *tendential* fall spread over several cycles and, on the other, a *sudden, immediate* fall marking the end of the cycle. What has to be repeated is that, while subject to a tendential fall in the rate of profit, capital is subject regularly, periodically (cyclically) to a sudden fall in the rate of profit which translates into a general crisis of overproduction. The urge to achieve the maximum level of surplus value notably causes the development of labour productivity. This is expressed in the *rise* in the rate of exploitation of the labour force and the tendential fall in the rate of profit. On the contrary, the sudden fall in the rate of profit, which characterizes overaccumulation, the overproduction of capital, is marked by the sudden *fall* of the self-same rate of exploitation.

The law of the falling rate of profit manifests itself thus as:

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<sup>23</sup> The assertion that too *little money* is being produced is tantamount to the assertion that production does not coincide with valorization, hence is *overproduction*; or, which is the same thing, that it is production which cannot be converted into money, hence into *value*, production which does not pass the test of circulation.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 339.

1<sup>st</sup> as a tendency over several cycles in a given place at a given time under certain circumstances as an expression of the contradictory development of labour productivity.

2<sup>nd</sup> periodically, at the end of a cycle, due to a downturn in productivity in the form of a sudden fall in the rate of profit in the form of overaccumulation, overproduction of capital, or yet another barrier which we can examine in detail below in chapter 4, in the form of the overproduction of commodities, which causes the fall in the rate of profit.

As we have seen, the two aspects are not separate. The process of valorization/devalorization during its development appears under the form of the law of the falling rate of profit sometimes in its tendential aspect (intercycles), sometimes as its sudden aspect, its sudden fall due to the effect of a sudden fall in the rate of exploitation of labour or the overproduction of commodities. These particular circumstances characterize both overaccumulation caused by the general overproduction of capital, and the overproduction of commodities (which is also general).

These two dimensions should not be confused. Not every fall in the rate of profit causes a crisis. On the other hand, there are particular moments when, on the contrary, this fall takes shape and translates into a crisis of general overproduction of capital, of overaccumulation.

Even if we can reject the existence of mechanical points of no return leading to a crisis (as, for example, in the case of the Grossmann/Mattick theory of the insufficiency of surplus value to allow for accumulation), we cannot equally ignore the existence of nodal points, specific points which are relative and not absolute, where productivity enters a downturn and translates into a general crisis of overproduction. Correctly criticizing the theorization of the existence of specific absolute points in the fall of the rate of profit should not lead on to denying the existence of characteristic relative points where, whatever the rate and tendency of the rate of profit may be, a drastic fall in the rate of profit occurs. These nodal relative points are characterized by the downturn in labour productivity<sup>24</sup> (24) as it is a case of overaccumulation. In this case, the sudden fall in the rate of profit is what causes general overproduction. On the contrary, in the case of overproduction of commodities, a phenomenon appearing when commodities cannot find a suitable market, it is overproduction which causes the fall in the rate of profit and the downturn in productivity which accompanies the general crisis.

### 2.6.2 An agrarian parable

If we wanted to represent the specific nature of overaccumulation (overproduction connected to the sudden fall in the rate of profit, which marks the end of the cycle) within the general law of the tendential fall of the rate of profit (intercycle) in a simple and therefore very schematic way, we could try to offer an agrarian parable:

The sudden fall in the rate of profit provoking a crisis could be caused by a very poor harvest which leads to a sudden downturn in labour productivity, while the tendential fall in the rate of profit would be equivalent to “decreasing returns” (tendentially), to use the language of

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<sup>24</sup> The limitations of the capitalist mode of production come to the surface:

1) In that the development of the productive power of labour creates out of the falling rate of profit a law which at a certain point comes into antagonistic conflict with this development and must be overcome constantly through crises.

2) In that the expansion or contraction of production are determined by the appropriation of unpaid labour and the proportion of the unpaid labour to objectified labour in general, or, to speak the language of the capitalists, by profit and the proportion of this profit to the employed capital, thus by a definite rate of profit, rather than by the relation of production to social requirements, i.e., to the requirements of socially developed human beings.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 257)

economists. In brief, it would reflect the fact that productivity would not go into a downturn, but would rise always less rapidly and would have a tendentially increasingly weaker rate of growth.

The turnabout in labour productivity applies pressure to force up both constant capital and variable capital such that an opposite pressure, on the downturn, drastically affects surplus value. The contradictory movement of value, which on these occasions takes the opposite direction to its historical tendency (with the development of labour productivity, all things being equal, the value of commodities fall), makes it necessary to substitute a devalorization, a sudden depreciation of capital, by a fall in prices, a stop to the production process, the destruction of capitals, such that unsold stocks and overproduction of commodities take hold, the industrial reserve army grows and that money capital and means of production are left fallow, ...

Faced by crises that develop on the basis of a productive labour force that are always greater and show a tendency to continue to do so, capital feels the impelling need to limit its growth, its productive force and the development of social productivity, since the latter regularly threatens it. It has to dissipate and waste this productive potential.

This dissipation has several aspects, the limitation of the rate of accumulation through the consumption of the middle classes, the search for effective demand on the world market, making investments in fixed capital (major construction works, works of art) whose productive returns are in the long-term, and the tendential fall in the rate of profit. With its back to the wall, capital finally accepts a fall in the rate of profit, which shows that it has abdicated its historical mission by favouring new parasitic tendencies and speculation, witnessing its impotence and limited character. It drags out its existence awaiting the final blow that the proletariat has to deliver it<sup>25</sup>.

## 2.7 The overaccumulation of capital in Marx

### 2.7.1 A theoretical framework as an explanation

Marx envisaged a case called “absolute overaccumulation” in order to make the concept of overaccumulation, the overaccumulation of capital, fully understood. His example has thrown quite a few people. In fact, Marx remained within the theoretical conditions allowing him to illustrate the question without considering the process of valorization/devalorization and without taking into account the contradictory evolution of labour productivity<sup>26</sup>.

Marx simplified the results of a complex process in order to highlight them. In order to avoid dealing with the subject in the context of the development of labour productivity and its contradictory effects<sup>27</sup>, Marx used a theoretical framework that eliminated them.

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<sup>25</sup> The relative decline of the United States, Japan and Europe, bearers as they were of a renewal of socialism, does not automatically make us think that we have reached that stage now. In the rest of the world, which is inhabited by 85% of the world's population, the accumulation of capital and the production of surplus value continue to make great progress, which does not mean that the contradictions are not accumulating just as rapidly.

<sup>26</sup> This is not the first time. In the chapter on the tendential fall, he writes “We shall entirely ignore here that with the advance of capitalist production and the attendant development of the productive power of social labour and multiplication of production branches, hence products, the same amount of value represents a progressively increasing mass of use values and enjoyments.” (Marx, Capital Vol. III, Collected Works Vol. 27, p. 217)

<sup>27</sup> The valorization process (creation of surplus value) is also a devalorization process (under the effect of the rise in productivity, the unit value of commodities, and thus the constituent elements of capital, falls while the mass of commodities increases).

Therefore, Marx supposed that no revolution took place in the progress of productive forces. In other words, he set aside the process of valorization/devalorization. This representation of affairs means that there is neither progress in labour productivity, nor the modification of the technical composition of capital (the relationship between the mass of the means of production and the labour force required to operate them). This hypothesis in turn means that the crisis of absolute overaccumulation can only be explained by a rise in wages sufficiently great for the additional surplus value created by the increase in the number of workers to be consumed by the general rise in wages<sup>28</sup>.

Marx does this by taking us back to the situation already considered<sup>29</sup> in Capital Volume I<sup>30</sup>. From this point of view, absolute overaccumulation and absolute surplus value can be drawn closer to the theoretical framework of capital accumulation in the period of manufacture when the labour process was not specifically capitalist (before the industrial revolution), and therefore capital only formally subordinated labour.

To be even more precise, in Britain the two periods when wage rises took place such that they could lower the rate of surplus value were:

- During the 15<sup>th</sup> century at the dawn of capitalist production (manufacturing being set up mainly starting in the 16<sup>th</sup> century),
- During the first half of the 18<sup>th</sup> century, when manufacture reached its peak and large-scale industry began to appear (the starting point of the industrial revolution is 1735 with its effects fully felt in the last quarter of the 18<sup>th</sup> century<sup>31</sup>).

Marx also remarked that Smith wrote his works in the period when large scale industry was appearing<sup>32</sup>, while he criticized Ricardo, who used the first years of the 18<sup>th</sup> century as a model, when it was just one possible case, which anyway had been overtaken by the development of large scale industry which supposes a specifically capitalist labour process (mechanized industry) and therefore the real subordination of labour under capital<sup>33</sup>.

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<sup>28</sup> “(...) there would be a steep and sudden fall in the general rate of profit, but this time due to a change in the composition of capital not caused by the development of the productive power, but rather by a rise in the money value of the variable capital (because of increased wages) and the corresponding reduction in the proportion of surplus labour to necessary labour.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 250)

<sup>29</sup> It is therefore completely wrong to pretend, as Paul Mattick does (cf. the next chapter) that the situation described by Marx has neither a practical value (it would contradict all facts drawn from experience), nor a theoretical one (it would be against the Marxist theory of accumulation).

<sup>30</sup> Capital Volume 1, Chapter 25, The General Law of Capitalist Accumulation, Section 1: The increased demand for labour power that accompanies accumulation, the composition of capital remaining the same.

<sup>31</sup> “For since in each year more labourers are employed than in its predecessor, sooner or later a point must be reached, at which the requirements of accumulation begin to surpass the customary supply of labour, and, therefore, a rise of wages takes place. A lamentation on this score was heard in England during the whole of the fifteenth, and the first half of the eighteenth centuries.” (Marx, Capital Vol. I, Collected Works Vol. 35, p. 609)

<sup>32</sup> “Hence one might infer, as *Adam Smith*, in whose days modern industry was still in its infancy, did infer, that the accelerated accumulation of capital must turn the balance in favour of the working man, by securing a growing demand for his labour.” (Marx, Value, price and profit, Collected Works Vol. 20, p. 147)

<sup>33</sup> “The fall in the rate of profit is therefore accompanied, in Ricardo, by a nominal growth of wages and a real growth of rent. His is a one-sided analysis because it only conceives of one single case – the rate of

As we know, crises of overproduction<sup>34</sup> characteristic of modern capitalist production<sup>35</sup> did not break out in these two periods, but began in 1825<sup>36</sup>. Paradoxically, Marx therefore used a theoretical and historical framework<sup>37</sup> that was outdated, as it did not envisage the crises characteristic of the more developed capitalist mode of production, to explain modern crises better.

The advantage for Marx was to avoid the process of valorization/devalorization and consequently make his argument easier to follow. This way Marx could produce a teaching aid, a heuristic example, to illustrate overaccumulation. On the other hand, once a crisis of overproduction broke out on the basis of simplified criteria, the ways to recover the capacity to accumulate, to re-establish the relations of exploitation and consequently restore the rate of profit, were characteristic of modern capitalist production. The various forms of capital devalorization envisaged there are those prevailing in the most highly developed capitalist production.

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profit may just as much fall in consequence of a momentary rise in wages, etc. – and because it elevates to a universal law an historical relationship characteristic of a period of 50 years but inverted during the next 50 years, and because, in general, it is based upon the historical disproportion between the development of industry and agriculture. In and for itself, it was odd of Ricardo, Malthus, etc., to postulate universal, eternal laws for physiological chemistry at a time when as yet it scarcely existed. This analysis of Ricardo's has therefore been attacked from all sides, mainly because of an instinctive feeling that it was wrong and unsatisfactory, but mostly on account of its true rather than its false aspect.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 136)

<sup>34</sup> “Adam Smith did not yet know the phenomenon of overproduction, and crises resulting from overproduction. What he knew were only credit and money crises, which automatically appear, along with the credit and banking system.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 154) More than two centuries after, petty bourgeois socialism discovered the “financialization” of the economy.

<sup>35</sup> In Capital Volume I, the increase in wages does not lead to a crisis, but induces both compensation for the rate by the mass and an increase in the subjugation of the proletariat, and if this becomes too strong, a slowing of accumulation which recreates the conditions for a fall in wages with the formation of an (absolute) working class overpopulation.

“[According to our data, the wage rate has risen due to a greater increase in capital compared with labour. There is only one alternative.] Either the price of labour keeps on rising, because its rise does not interfere with the progress of accumulation. In this there is nothing wonderful, for, says Adam Smith, “after these (profits) are diminished, stock may not only continue to increase, but to increase much faster than before.... a great stock, though with small profits” (l.c. [*Recherches...*], I, p. 189). In this case, it is evident that a diminution in the unpaid labour in no way interferes with the extension of the domain of capital. – Or, on the other hand, accumulation slackens in consequence of the rise in the price of labour, because the stimulus of gain is blunted. The rate of accumulation lessens; but with its lessening, the primary cause for that lessening vanishes, i.e., the disproportion between capital and exploitable labour power. [Hence, the wage rate falls again to a level in line with the needs of valorization of capital, a level which could be higher than, equal to, or lower than to one obtaining at the moment that the wage rise took place.] The mechanism of the process of capitalist production removes the very obstacles that it temporarily creates.” (Marx, Capital Vol. I, Collected Works Vol. 35, p. 614, the sentences between square brackets appear only in the French edition of *Le Capital* Vol. I, *La Pléiade*, I, p. 1129)

<sup>36</sup> “On the one hand, modern industry itself was only just emerging from the age of childhood, as is shown by the fact that with the crisis of 1825 it for the first time opens the periodic cycle of its modern life.” (Marx, Capital Vol. I, Collected Works Vol. 35, pp. 14-15)

<sup>37</sup> One cannot therefore think that the fall in the rate of profit and the crises that follow it could be the product, without exception, of a rise in wages; with the progress of capitalist production, relative wages fall. “Nothing is more absurd, for this reason, than to explain the fall in the rate of profit by a rise in the rate of wages, although this may be the case by way of an exception.” (Marx, Capital Vol. III, Collected Works Vol. 37, p.238)

## 2.7.2 Absolute overproduction

### 2.7.2.1 *Absolute overaccumulation = general crisis of overproduction*

Absolute overaccumulation meant, for Marx, above all a general crisis of overproduction of capital. It was not a case of a partial crisis, a crisis limited to one or other sector of production, but a general crisis hitting all areas of capitalist production. This is the first meaning of this absolute overaccumulation, overproduction<sup>38</sup>. In the quote in this footnote, Marx again takes overaccumulation of capital and overproduction of capital as being the same, leaving no doubt as to the meaning of his thought concerning the concept of overaccumulation. If it is crystal clear that the crisis breaks out at a specific moment, that is at the moment of a new accumulation of capital, it is equally clear that the whole of the social relationship is involved. It should be noted that Marx always used the conditional because it was a theoretical hypothesis. In practice, the crisis, as general as it might be, does not have to affect all capital in all sectors. Furthermore, Marx put forward the idea that for a crisis to be general, all it needed to do was to hit the leading sectors of society<sup>39</sup>.

### 2.7.2.2 *Absolute overaccumulation = overproduction of capital*

Marx, when insisting on the overproduction of capital, on the one hand distinct from, but on the other articulated with the overproduction of commodities<sup>40</sup>, had to show that the crisis was neither a phenomenon limited to a particular sphere, nor an accidental phenomenon, but an organic product of capitalist production rooted in this mode of production itself. The strength of the theory of overaccumulation lies in its identification of the origin of the crisis in the very heart of capitalist production. The crisis is related to insufficient production of surplus value (whose maximum production is the sole goal of capitalist production) in relation to the capital advanced and the consequent sudden fall of the rate of profit. Overaccumulation and the general crisis of overproduction which accompanies it, is characterized by a sudden worsening of the relations of exploitation, by a fall met by the rate of exploitation.

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<sup>38</sup> “To appreciate what this accumulation is (...), one need only assume it to be absolute. When would overproduction of capital be absolute? Overproduction would affect not just one or another, or a few important spheres of production, but would be absolute in its full scope, hence would extend to all fields of production?” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 250)

<sup>39</sup> “(...) in times of general overproduction, the overproduction in some spheres is always only the *result*, the *consequence* of overproduction in the leading articles of commerce; [it is] always only *relative*, i.e. overproduction because overproduction exists in other spheres.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p.158. By “leading articles”, Marx meant articles that generally had to be produced in mass and industrially (including in agriculture).

“With regard to the contradiction between partial and universal overproduction, in so far as the existence of the former is affirmed in order to evade the latter, the following observation may be made:

*Firstly:* Crises are usually preceded by a general INFLATION in PRICES of all articles of capitalist production. All of them therefore participate in the subsequent CRASH, and at their price before the CRASH, OVERBURDENING THE MARKET. (...) The excess of commodities is always relative; in other words, it is an excess at particular prices. The prices at which the commodities are then absorbed are ruinous for the producer or merchant.

*Secondly:*

For a crisis (and therefore for overproduction) to be general, it suffices for it to affect the principal commercial goods.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 136)

<sup>40</sup> “Overproduction of capital, not of individual commodities – although overproduction of capital always includes overproduction of commodities – is therefore simply overaccumulation of capital.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 250)

### 2.7.2.3 *Absolute overaccumulation = inexistent or negative “marginal rate of profit”*

Indeed, Marx then defines absolute overproduction in terms of the fall in the rate of profit it assumes. “There would be absolute overproduction of capital as soon as additional capital for capitalist production = 0.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 250).

This initial definition could seem ambiguous. Does Marx want to say that the fraction of accumulated surplus value (we could perhaps likewise interpret “additional capital for capitalist production” of the previously quoted phrase this way) falls to zero, or does he mean something else? We should not fail to remember that we are using the drafts that Engels or others (above all Rubel) had edited. As far as the translations are concerned, they vary greatly in quality.

Marx makes things clear later in the same paragraph: “(...) when the increased capital produced just as much, or even less, surplus value than it did before its increase, there would be absolute overproduction of capital; i.e., the increased capital  $C + \Delta C$  would produce no more, or even less, profit than capital  $C$  before its expansion by  $\Delta C$ .” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 250)

It is therefore the idea that the surplus value produced after the accumulation of capital is identical, meaning less, to that produced on the basis of previously advanced capital that should be accepted (or what Marx implicitly supposes here, an accumulation of the totality of surplus value). This is the phenomenon which characterizes absolute overaccumulation, the absolute overproduction of capital. This absolute overproduction is therefore the corollary of the sudden fall in the rate of profit.

The tendential fall in the rate of profit means that at the same time there is the tendency of the organic composition of capital to rise and a tendency for the rate of surplus value to rise and accumulation is accompanied by an increase in the mass of surplus value. This phenomenon is completely overturned here since, as opposed to the general tendency of the capitalist mode of production, the rate of exploitation of the labour force suddenly falls instead. In fact, with the rise in wages, we have both a fall in the rate of exploitation, of the rate of surplus value, and a fall in the value composition of capital. The rate of profit falls suddenly due to the effect of this change in the tendency.

### 2.7.3 **Overaccumulation: an example**

We can give an example. Let the social product be divided as follows:  $50 c + 50 v + 50 sl$ . We can leave aside questions regarding fixed capital. Let all surplus value be accumulated and the additional constant capital and variable capital be divided according to an organic composition equal to 1. The additional constant capital would be 25 and the additional variable capital would also be 25. The surplus value of 50 is therefore accumulated and divided into  $25 c + 25 v$ . The rate of increase of the productive forces remains constant while they increase. Here accumulation causes a proportional growth of the labour force. Consequently, the social product expected should be:

$75 c + 75 v + 75 sl$ .

Now Marx told us that what characterizes absolute overaccumulation is that additional surplus value is nil, or even negative. The total surplus value of the period in consideration is found to be the same as or lower than the total surplus value of the previous period. Therefore, instead of the expected 75, at best there is 50.



How can this take place while the productive population is rising?

In order to go back to the situation indicated by Marx, the wage rise for the proletariat as a whole (the variable capital which is transformed into wages paid to the proletariat is 75) must balance against the increase of surplus value created by the accumulation of additional capital (the new surplus value is potentially 25). The potential surplus value of 75 must therefore be reduced to 50. To do this, wages have to rise from 75 to 100.

A fall in surplus value from 75 to 50 due to an increase in variable capital which, *ceteris paribus*, will rise from 75 to 100, would lead to a drastic fall in the rate of profit from 50% to  $50/175$ , or 28%, and would thwart any perspective of new accumulation and thus the realization of the social product, leading to the outbreak of a crisis of overproduction.

While the collective capitalist who monopolizes the social product hopes to rehire the existing proletariat, he must now pay out 100 instead of 75, so the entire additional surplus value created over the period is wiped out.

In the case used by Marx, there is no contradictory development in labour productivity. The process of valorization/devalorization is left out. The rise in wages takes place alongside the production process (for example, due to the effect of the major increase in job offers or even class struggles which lead to a victory for the productive class). The rise appears as an external constraint. This choice allows Marx to illustrate his idea without complications. However, as we have already seen, it would be absurd to think that crises are caused by wage rises. This perspective has been introduced here solely to simplify matters. The external cause of wage rises allows us to avoid dealing with the process of valorization/devalorization in order to introduce the crisis of overaccumulation. In fact, the phenomenon which engenders overaccumulation comes out of the production process. The external shock of wage rises, making it simpler to work out, justify, explain and illustrate, replaces the internal process of the change in the tendency in the process of valorization/devalorization which causes the fall in the surplus value produced.

It is, in the overaccumulation Marx proposes, the moment when the capitalist class launches new accumulation that reveals that market conditions have changed. The cost of labour power soars as the surplus value extorted from it has disappeared. At the end of the production process, wages have risen to 100. The realization of the social product potentially brings in 225 for the capitalist. To reproduce the previous level of accumulation, he has to pay out 75 in constant capital and 100 in variable capital because of wage rises. Only 50 is left in surplus value, that is to say the same result as in the previous phase of accumulation. To accumulate, he has only 50 in additional money capital. He can only hope for additional surplus value in the next cycle with a rate of profit of 28% against 50% previously, on condition that a new wage rise will not spoil this forecast. Accumulation is discouraged. Overproduction appears due to an insufficient valorization<sup>41</sup>, the consequence of the sudden fall in the rate of exploitation of labour power.

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<sup>41</sup> When he criticized Mill and then Say and their theories which we would label as Ricardian “disproportionalist” Marx stated “Say expresses this proposition in stultified form: products are exchanged only for products; therefore all that can happen is that too much is produced of one product and too little of another. He forgets (1) that values are exchanged for values, and one product is exchanged for another only in so far as it is value, i.e. only so far as it is or becomes money; and (2) is exchanged for labour. The good fellow adopts the standpoint of *simple exchange*, in which indeed no overproduction is possible because it really is concerned with use value, not with exchange value. Overproduction takes place in relation to valorization, NOTHING ELSE.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 352)

It should be stressed that our example is speculative. It stresses the importance of the growth of the working population, due especially to a high rate of accumulation at 100% surplus value and an equally high rate of profit. The general formula for this rate of growth is  $sl \cdot k / (c + v)$ , that is the combination of the rate of profit  $sl / c + v$  and the rate of accumulation of surplus value  $k$ . Here we have left aside the question of fixed capital by putting its turnover at 1. All surplus value is accumulated and therefore the rate of accumulation,  $k$ , is 100%. In our example, the rate of growth and the rate of profit are equal.

Consequently, in a case of absolute overaccumulation, the marginal rate of profit (we beg your pardon for this borrowing from political economy while seeking, if possible a better concept to express our argument) the rate of profit, which brings in the additional surplus value for the additional capital advanced, has to fall to zero and may even become negative.

## 2.7.4 Overaccumulation and the fall in the rate of exploitation

The contradictions laid bare by Marx's analysis are dialectical as they do not follow a flat mechanical logic. If the collective capitalist has accumulated surplus value and with it the whole of realized social capital, it is because he seeks the maximum surplus value. If this process halts, it is because an event has occurred within the very heart of the production process which causes an insufficiency of surplus value and a fall in the rate of exploitation. When this reaches a certain point, capital faces overaccumulation and a crisis of overproduction of capital. This appears as a stop to accumulation and the reproduction of capital<sup>42</sup>, while, as a corollary to the halt in this process, the commodities produced cannot be sold<sup>43</sup>. The very nature of money itself makes it possible to separate sale from purchase. Therefore, the realization of surplus value and advanced capital does not take place to the extent it does when launched towards the goal of maximum surplus value, and is destabilized by this sudden fall in the degree of exploitation and the rate of profit that follows it.

Why is this phenomenon at once both possible and necessary on the basis of the most highly developed capitalist production? We have to admit that we have reached the outer limits of the area Marx explored. Our work updates his intentions and conception. While trying to restore and clarify his theory, this work illuminates the parts hiding in the shadows, just those parts that the communist party must follow up with a scientific method. Therefore, it is this effort we appeal to in order to penetrate deeper into the secrets of the capitalist mode of production. Efforts in this sense allow it to be shown that socialism is scientific<sup>44</sup> and not just a meaningless common sense, or worse still, and unfortunately it is in this form that it steals the limelight, an ideology of the counterrevolution. Orthodox Marxism, which we seek to represent, has never set aside the study of the process of valorization/devalorization. The scientific challenge remains there to its full extent, and to take it up, firstly the obstacles represented by revisionist interpretations in general, and academic Marxism in particular, have to be thrust aside.

The task of exploring this area to make valid discoveries leading revolutionary theory to new heights falls to new generations of the communist party.

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<sup>42</sup> "Overproduction of capital is never anything more than the overproduction of means of production – of means of labour and necessities of life – which may serve as capital, i.e., may serve to exploit labour at a given degree of exploitation; a fall in the intensity of exploitation below a certain point, however, calls forth disturbances, and stoppages in the capitalist production process, crises, and destruction of capital." (Marx, Capital Vol. III, Collected Works Vol. 37, p. 254)

<sup>43</sup> "Furthermore, capital consists of commodities, and therefore overproduction of capital implies overproduction of commodities." (Marx, Capital Vol. III, Collected Works Vol. 37, p. 255)

<sup>44</sup> Cf. "La Nature du marxisme" (in French) on our site: [www.robiningoodfellow.info](http://www.robiningoodfellow.info)

Saying this, we can envisage several pathways. The rise in wages, as we have seen, allows us to make an effortless illustration of a sudden fall in the rate of profit. But in the modern capitalist mode of production, where capital has subordinated labour in a real sense by creating a specifically capitalist technology (mechanized industry) characterized by the relative fall of wages, such a case can only be exceptional.

If we also leave aside the perspective of a drastic reduction in the length of the working day, we have to return to the reversal in progress in labour productivity. How can this take place? Such a phenomenon can easily be understood in the case of agriculture or the production of raw material. Poor harvests and the use of less fertile land and less productive mines cause labour productivity to fall. However, this is all of an accidental or external character, while we are looking for organic and internal ones.

We can also discard the simplistic objection of someone who would like to compare social productivity with that of a single producer, the baker, for example, by considering that he clearly masters his productivity, but less so the demand. Marx always considered labour productivity as social productivity that was the result of the average of a collective labour force. Furthermore, this collective labour force, the benchmark from which the labour force produces commodities under average social conditions, should increase with the development of capitalist production<sup>45</sup>. Consequently, the domination of social productivity is not the only resort of the capitalist company. The company is subject to a social process in which it is immersed and which it submits to rather than participating in. On the other hand, when we analyse the question of overaccumulation at a very high level of abstraction, we have to recall that it is the starting point for introducing the process of valorization/devalorization, with the ensuing modification in the organic composition of capital<sup>46</sup>. This does not follow a path of gradual evolution, but that of real leaps which considerably changes the conditions of production, even overthrowing them. At this level of analysis, the domination of the productivity that results from this new organization does not follow automatically.

The greater the development of capitalist production, the greater the rate of surplus value, and the greater the growth of the mass of commodities. Obtaining an extra growth of surplus value supposes an equally more considerable growth of the productive power of labour. The instability of capitalist production due to the growing difficulty of fulfilling its contract of the maximum surplus value, increases and further favours the outbreak of crises.

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<sup>45</sup> "A drop in the rate of profit is attended by a rise in the minimum capital required by an individual capitalist for the productive employment of labour; required both for its exploitation generally, and for making the consumed labour time suffice as the labour time necessary for the production of the commodities, so that it does not exceed the average social labour time required for the production of the commodities. Concentration increases simultaneously, because beyond certain limits a large capital with a small rate of profit accumulates faster than a small capital with a large rate of profit. At a certain high point this increasing concentration in turn causes a new fall in the rate of profit. The mass of small dispersed capitals is thereby driven along the adventurous road of speculation, credit frauds, stock swindles, and crises." (Marx, Capital Vol. III, Collected Works Vol. 37, p. 249)

<sup>46</sup> We have seen that Marx discards, in his analysis of absolute overaccumulation, this perspective: the technical composition of capital remains the same, only the value composition fluctuating, declining due to the rise in wages. From this point of view, we cannot really state that the organic composition evolves, seeing that only in the case that the value composition reflects the change in the technical composition can we really talk about a change in the organic composition of capital.. Cf. the discussion of fixed capital below.

Do factors exist which confuse the judgement of the capitalist class? Can it be lured by heady over-optimism into taking the path of overaccumulation? It is undeniable that the indicators available to the capitalist class are false, just as the theoretical representations of phenomena are, because they ignore the source of value and surplus value, except for the objective reality of them. Bookkeeping only gives an approximate idea of value and profit, which is the guiding light, but only part of surplus value. Speculation is a tempting way to get rich on so many occasions. The enterprise is easily drawn into investing as if tomorrow never comes during periods of speculative euphoria. The drunkenness of speculation is followed by the hangover of the crisis.

These final considerations show that on the one hand that at this level of analysis, that of total capital and productive capital, only the general foundations of crises are laid. In order to understand real crises, we have to go further than the analysis of the process of valorization/devalorization to consider the financial sphere too; the cycle of fixed capital and to adopt the level of “many capitals”, of capitals entering into mutual competition, while not forgetting the class struggles as well as the ruling class and its state too.

## 2.7.5 Relative overaccumulation

Even if the Ecole Normale Supérieure<sup>47</sup> thinks otherwise, at a first look, it seems that the concept of “relative overaccumulation” does not exist in Marx. The edition of Marx edited by Maximilien Rubel certainly contains a passage dedicated to the analysis of overaccumulation which talks about “relative overproduction”, but if we take into account what the paragraph is about, it is a *lapsus calami* for “relative overpopulation”<sup>48</sup>.

The concept of “relative overproduction”, even if it is not associated directly with overaccumulation, is nevertheless employed by Marx in various contexts.

Furthermore, he does not define absolute overaccumulation on the basis of quantitative criteria<sup>49</sup> alone, as in the case when he defines it as a marginal rate of profit equal to zero or even negative, which he uses later on, when it appears to be in response to bourgeois economists, with the term “relative overproduction” in a general sense<sup>50</sup>. The expression regards specifically the capitalist mode of production. Overproduction is not “absolute” (so it is “relative”) because it does not result from the fact that all needs are satisfied and production is too great. We are far from such a situation because the consumption of the proletariat is limited. Overproduction is therefore in

<sup>47</sup> “Here Marx considers two distinct cases, absolute overaccumulation and relative overaccumulation.” (<http://ses.ens-lyon.fr/les-grands-themes-suite--50165.kjsp>)

<sup>48</sup> This is the publisher’s error, not Marx’s. In other editions it is clearly given as “surpopulation relative” [relative overpopulation]

<sup>49</sup> We have seen that Marx meant by “absolute” overaccumulation a general overproduction. But, as is explained in “Theories of Surplus value”, there is a general crisis when branches producing “leading articles”, those articles which are produced in mass and industrially (including in agriculture), encounter overproduction. Other branches are hit as a result of this overproduction which, in this sense, is “relative”. (cf. Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 159)

<sup>50</sup> “If it is said that overproduction is only relative, this is quite correct; the entire capitalist mode of production is only a relative one, whose barriers are not absolute. They are absolute only for this mode, i.e., on its basis.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 256.

Here Marx aims at the idea that: “It [the representation of the fall in the rate of profit by economists – ed.] comes to the surface here in a purely economic way – i.e., from the bourgeois point of view, within the limitations of capitalist understanding, from the standpoint of capitalist production itself – that it has its barrier, that it is relative, that it is not an absolute, but only a historical mode of production corresponding to a definite limited epoch in the development of the material conditions of production.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 258

this sense “relative” and characteristic of the capitalist mode of production. Society has not reached satiety; it is capital, hungering after surplus labour, which periodically has difficulty in producing and digesting it. Overproduction demonstrates the historical and transitory character of this mode of production as well as the need for its revolutionary overthrow.

Economists, such as Ricardo, used the expression “relative overproduction” in order to deny the existence of general overproduction involving all sectors<sup>51</sup>. For these economists, if overproduction were general, the proportion among all branches would be respected, there would be no disproportion between sectors and so it could only be a case of the growth of productive forces. Consequently, if overproduction occurs, it can only be relative and concern only certain sectors. Marx’s theory of money came into conflict with this reasoning by showing that the possibility of separating sale from purchase lies in the very nature of money and this makes general overproduction possible; that is overproduction affecting all sectors. Dialectically speaking, the overproduction of commodities appears in fact due to the lack of realization of the social product, while the overproduction of capital leads to the lack of realization of the social product.

Marx developed elsewhere in the 1857-1858 Manuscripts (Grundrisse) the idea that capital, in order to accumulate fixed capital that entailed realization after a long period of production (dams, canals, railways, major bridges etc.), would require a high level of productivity. Relative overpopulation and relative overproduction<sup>52</sup> are required to enable this kind of production. This is to say that, on the one hand, a labour force has to be available, having been freed by the development of social productivity and is not just bound to work that assures it the bare minimum to reproduce itself, while on the other hand, the capacity to advance large amounts of capital has to have been reached as time passes before the fixed capital created can be used. So relative overproduction is required which, in this context, means a relative surplus. It can be a vector of crisis; not general crises of overproduction, we consider throughout this text, but of disproportions between fixed and circulating capital, disproportions which themselves play a role in the periodicity of the cycle due to time lags in the production of fixed capital<sup>53</sup>. In this sense, “relative production” is opposed to “necessary production”<sup>54</sup>.

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<sup>51</sup> Marx defined absolute overaccumulation (see above), absolute overproduction, as overproduction that affects all areas as general overproduction, in order to oppose to this idea. Therefore logically Marx did not develop the concept of relative overaccumulation.

<sup>52</sup> The translators explain the German terminology. It is not the terminology used in the case of crises.

<sup>53</sup> “The part of production aimed at the production of fixed capital does not produce immediate objects of enjoyment or immediate exchange values; at least it does not produce immediately realizable exchange values. *So it depends upon the level of productivity already attained – upon a mere part of production time being sufficient for immediate production – that an increasingly large part of production time is employed in producing means of production.* This presupposes that society can withdraw a large part of the wealth already created both from immediate enjoyment and from production intended for immediate enjoyment, and employ it for labour which is *not immediately productive* (within the material production process itself). For it to be able to do so, productivity and relative excess must already have attained a certain level, and indeed a level directly proportionate to the scale on which circulating capital is transformed into fixed capital. Just as the *amount of relative surplus value depends upon the productivity of necessary labour*, so the *amount of labour time employed on the production of fixed capital* – living labour time as well as objectified – depends upon the *productivity of the labour time intended for the direct production of products.*

*Surplus production* (surplus from this standpoint), like *surplus production*, is a condition for this, i.e. the result of the time employed upon immediate production must be relatively in excess of what is immediately required for the reproduction of the capital employed in these branches of industry. The *less* the immediate yield of *fixed capital*, the less fixed capital engaged in the *immediate production process*, the larger this relative *surplus population and surplus production* must be: more relative surplus population and surplus production is required to build railways, canals, waterworks, telegraphs, etc., than to make machinery to be

Marx deals with the reproduction of capital in Capital Volume II and states that in communist society there would have to be a “continuous relative overproduction” to handle fluctuations. Clearly, this does not mean that communist society faces a permanent crisis, but that buffer stocks are indispensable. These are a part of the anarchy of production in bourgeois society<sup>55</sup>. Here too the concept has a particular meaning which cannot be seen as a synonym for absolute overaccumulation.

We can no longer, as we did in “Communisme ou civilisation”<sup>56</sup>, historicize the concepts:

- “absolute overaccumulation” during the period of manufacture (with its echo of the production of absolute surplus value or absolute overpopulation too) when labour is formally subordinated to capital
- “relative overaccumulation” (with the production of relative surplus value as well as relative overpopulation with the rising organic composition of capital) with the modern capitalist mode of production where labour is really subordinated by capital.

It is true to say, as we have recalled, that the framework defined by Marx to highlight overaccumulation is clearly that of the period of manufacture. On the other hand, the

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used in the immediate production process. Hence – and we shall come back to that later- the continual over- and underproduction in modern industry reflecting the continual fluctuations and convulsions in the disproportionate – now insufficient, now excessive – transformation of circulating capital into fixed capital.” Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, pp. 92-93)

<sup>54</sup> “Moreover, the industrial capitalist who drives the labourer to this *overproduction* (i.e., production over and above his own subsistence needs) and makes use of all expedients to increase it to the greatest extent possible – to increase this relative *overproduction* as distinct from the necessary production – directly appropriates the surplus product for himself.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 179)

<sup>55</sup> “Once the capitalist form of reproduction is abolished, it is only a matter of the volume of the expiring portion – expiring and therefore to be reproduced *in natura* – of fixed capital (the capital which in our illustration functions in the production of articles of consumption) varying in various successive years. If it is very large in a certain year (in excess of the average mortality, as is the case with human beings), then it is certainly so much smaller in the next year. The quantity of raw materials, semi-finished products and auxiliary materials required for the annual production of the articles of consumption – provided other things remain equal – does not decrease in consequence. Hence the aggregate production of means of production would have to increase in the one case and decrease in the other. That can be remedied only by a continuous relative overproduction. There must be on the one hand a certain quantity of fixed capital produced in excess of that which is directly required; on the other hand, and particularly, there must be a supply of raw materials, etc., in excess of the direct annual requirements (this applies especially to means of subsistence). This sort of overproduction is tantamount to control by society over the material means of its own reproduction. But within capitalist society it is an element of anarchy.” (Marx, Capital Vol. II, Collected Works Vol. 36, p. 468)

<sup>56</sup> “Communisme ou civilisation” took on the task of returning to Marx to base itself strictly on Marx’s theory whose political positions are, to be short, outrageously simplified in the stock in trade of the ultra-left (formal antidemocratism, antiunionism, abandoning democratic or national claims, all this based more or less on the change in the paradigm of the capitalist mode of production starting with the First World War – real domination of capital, decadence etc.), while the complete failure of the forecasts of the Italian left (Bordigism) and its activist slant lead to completely readopting the theory of crisis. Along the way, while restoring the theory of crises, the inanity of such an attempt became clear. It was the opposite of making a break, while instead it was the theory of Marx that became clearer all the time. Democratic revolutions, national wars (in former Yugoslavia), the creation of new nations in Europe (some which had never previously existed), and many other events unimaginable in the realms of the thought of the ultra-left were the breaking point. Our distancing from this trend with the setting up of Robin Goodfellow meant our reattachment to Marxism, to all Marxism, and nothing else but Marxism.

characteristics of the crisis and the accompanying destruction of capital are those of crises of overproduction, which came into being with the most highly developed capitalist production<sup>57</sup>. The first of these, as we have already stressed, was in 1825. Overaccumulation, either absolute or relative, could not occur before that year.

Do we have to abandon the concept of relative overaccumulation?

The Stalinists of the French Communist Party (PCF) state that relative overaccumulation can be defined as follows: “In the case of relative overaccumulation, the additional capital does not have a corresponding additional mass of profit that could give it the necessary minimum rate of profit.” (*Traité d’économie politique marxiste*, Editions sociales Vol. 1, p. 38).

We could conclude from this that it is a question of a Ricardian variant of the falling rate of profit which supposes a minimum profit, a minimum variable (see the quotation from Stuart Mill in the section ‘Marx and the manifestations of the tendency of the rate of profit to fall’ above) starting from which accumulation halts. If this interpretation is correct, here, as opposed to Stuart Mill, it is not the average rate of profit that is threatened, but the marginal rate of profit. The general representation is not otherwise changed. The other manner, closer to Smith, of interpreting this definition would be to consider that every fall in the rate of profit would pass on to relative overaccumulation. Such a conception would boil down to implicitly postulating what could be called “a golden rate of profit”, that is, an optimum rate of profit whose level is unknown and not even postulated. Any deviation downwards from this “golden rate of profit”, any fall in the rate of profit causes a (relative) overaccumulation/devalorization. According to this interpretation, we no longer have to consider if there is a minimum rate of profit which is the starting point for the appearance of relative overaccumulation. Since the theoreticians of the PCF cannot (or do not want to) say that at every fall, there is overaccumulation, they elaborate ambiguous definitions of overaccumulation itself<sup>58</sup>. The Stalinist theoreticians are at once led to a theory of permanent crises (and state this publicly) and at the same time try to tie in their statements with the theory of Marx, who explicitly denied the existence of permanent crises, so as to limit the conclusions to be reached by their analysis.

Relative overaccumulation as we can conceive it can be defined as a relative fall, not an absolute one, of surplus value in relation to advanced capital. This phenomenon occurs when a rise in the organic composition is not equally matched by a rise in the rate of exploitation. Consequently, according to this definition, there would be relative overaccumulation starting from the beginning of the fall in the rate of profit. Such a representation is clearly absurd. Only drastic falls can be concerned by this form of overaccumulation. We have to clarify the definition by adding one of the most important conditions. We have seen that it is not falls in the rate of profit that correspond to a sudden downturn in the progress of labour productivity and, because of this, the relative overaccumulation of capital. So, to clearly see the whole importance of the question, it has to be seen with the introduction of the contradiction of valorization/devalorization, which was not dealt with by Marx in Capital Volume III for methodological reasons.

Consequently, overaccumulation, overproduction of capital starts by taking into account the process of valorization/devalorization when there is a drastic downturn in the progress of the

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<sup>57</sup> We have seen that this apparent contradiction can be explained by the fact that Marx wished to improve his presentation by eliminating the valorization/devalorization process.

<sup>58</sup> For example, Boccara concludes that “Devalorization following overaccumulation and expressing itself in the fall in the rate of profit, conditions the play of counter tendencies (...)” and adds in a note “Since overaccumulation expresses itself only the tendency to fall.” (Paul Boccara, *Etudes sur le capitalisme monopoliste d’Etat, sa crise et son issue*, Editions sociales, p. 299)

productive power of labour. This is followed by a sudden and drastic fall in the rate of profit which leads to a stop to the production process and the realization of the social product and thus a crisis of overproduction. If the marginal rate of profit remains positive, overaccumulation is relative, but if the marginal rate of profit sinks to zero or becomes negative, overaccumulation is absolute.

## **2.8 The different ways the term devalorization is used in Marx**

Marx used the term devalorization in different ways. We can find at least seven cases in the 1857-1858 Manuscripts (Grundrisse).

### **2.8.1 Devalorization = conversion of money capital into productive capital or commodity capital (1<sup>st</sup> meaning)**

The first way that Marx uses the term devalorization is that of the conversion of money capital into commodity capital or productive capital. Capital abandons its money form to assume the form of commodity capital. In this way, it devalorizes. We could write de-valorize to understand better what Marx wished to say. On the other hand, valorization corresponds both to the growth of capital through surplus value and the realization of commodity capital as money capital.

“After capital, by means of the production process, has (1) valorized itself, i.e. created a new value; (2) devalorized itself, i.e. passed from the form of money into that of a particular commodity; it (3) valorizes itself together with its new value, in that the product is thrown into circulation again and exchanged as *C* for *M* .” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 376)

### **2.8.2 Devalorization = fall in the value of capital under the effect of the rise in productivity (2<sup>nd</sup> meaning)**

This is another meaning more frequently found in Marx. Capital, value in process, value which seeks to valorize in growing from a surplus value, devalorizes at the same time since the production of surplus value depends on relative surplus value and progress in labour productivity. We therefore find a dialectical opposition between the valorization and the devalorization of capital. In order to valorize, to grow with an extra value, surplus value, capital has to devalorize, lose its value, due to the effect of the rise in labor productivity, in making the mass of commodities swell. The goal of capitalist production is the production of the maximum surplus value, the specific form of surplus labour characteristic of capitalist production. Since the birth of the modern capitalist mode of production, it has been based on the real subordination of labour (the industrial revolution), a new way to extract surplus value, where the production of relative surplus value is established by the development of labour productivity. Such an increase in labour productivity, be it involving directly or indirectly the material elements which determine the value of labour power, allows it to lower this value and, everything else being equal, raise surplus value. Capital valorizes, but the value of commodities falls, including labour power, and therefore capital too devalorizes. The more capital devalorizes, the more productivity must rise to obtain the same mass of additional surplus value. This is the fundamental contradiction that Marx puts aside in his analysis of absolute overaccumulation in order to substitute a rise in wages for it.

“The increase in the productive power (which, moreover (...) always goes hand in hand with a depreciation of the available capital) can directly only increase the value of the existing capital if by raising the rate of profit it increases that portion of the value of the annual product which is reconverted into capital. As concerns the productive power of labour, this can only occur (...) by raising the relative surplus value, or reducing the value of the constant capital, so that the



commodities which enter either the reproduction of labour power, or the elements of constant capital, are cheapened. Both imply a depreciation of the existing capital, and both go hand in hand with a reduction of the variable capital in relation to the constant. Both cause a fall in the rate of profit and both slow it down.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp. 246-247)

Capital is permanently destroyed by every increase in social productivity through this type of devalorization. One of the characteristics of the crisis is that this phenomenon of devalorization is blocked. This form of devalorization has therefore to be substituted by other forms (disaccumulation, destruction, depreciation) so that recovery of a stronger productive base can allow for this process to express itself again and thereby enable the reestablishment of the relation of exploitation (cf. devalorization, 7<sup>th</sup> meaning below).

### **2.8.3 Devalorization = lack of valorization of capital due to the freezing of capital in the various phases of its process (3rd meaning)**

Capital would like to change its time and space reference point so that it could achieve instantaneous valorization. Interest bearing capital, the harnessing of surplus value in speculation gives it this illusion. However, it is the prisoner of multiple determinations which hinder its cycle from which it tries to cut free. When it is unproductive (in the sense that it does not valorize, also meaning that it is not in the sphere of production in the form of means of production and labour power) it does not valorize, it is fixed and must necessarily be partially fixed and immobilized. Besides, even when it is in a productive phase, of valorization, a phase where it valorizes, this valorization is never fast enough.

“Just as the corn put as seed into the soil loses its immediate use value, is *devalorized* as immediate use value, capital is *devalorized* during the period between the completion of the process of production and its reconversion into money and thence back into capital,” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 443)

The same idea is much more fully developed further on. Marx contrasts:

1<sup>st</sup> capital in the dimension of circulating capital<sup>59</sup>, that is in the sense of being mobile, fluid, passing from one form to another, from one phase to another, while valorizing, that is growing from a surplus value, an extra value.

2<sup>nd</sup> capital in the dimension of fixed capital, that is in the sense of immobility, prisoner of a form, a determination, a phase in its process.

We are not talking about two types of capital, but of two formal determinations of the same capital.

“As long as it persists in one of these phases, that phase itself not appearing as a fluid transition – and each phase has a certain duration – capital is not circulating, but fixed.

As long as it is tied up in the process of production, it is incapable of circulation, and hence is virtually devalorized. As long as it is tied up in circulation, it is incapable of production, posits no surplus value, is not capital-in-process. As long as it cannot be thrown onto the market, it is fixed

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<sup>59</sup> “As the subject, as value which dominates the various phases of this movement and maintains and multiplies itself in it, as the subject of these transformations, which occur in a circular way – a spiral movement, a series of expanding circles – capital is *circulating capital*. Hence circulating capital is, to begin with, not a *particular form* of capital. It is capital *as such*, in a more highly developed determination, as the subject of the movement described, which is capital itself as its own process of valorization. In this respect, therefore, every capital is *circulating capital*.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol 29, pp. 8-9)

as a product; and as long as it must remain on the market, it is fixed as a commodity. So long as it cannot be exchanged for conditions of production, it is fixed as money. Finally, if the conditions of production remain in their form as conditions and do not enter into the process of production, capital is once again fixed and devalorized. Capital as the subject which passes through all the phases, as the moving unity, the unity-in-progress comprising circulation and production, is *circulating* capital; capital as itself locked up in any one of these phases, as posited in its *distinct forms*, is *fixed*, or *engaged* capital. As circulating capital, it fixes itself, and as fixed capital it circulates.

Consequently, the distinction between *circulating capital* and *fixed capital* appears first of all as a determination of the form of capital, depending on whether it appears as the unity of the process or as a particular moment of it.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol 29, pp. 9-10)

It is not easy to explain the concept of devalorization in this context. This is even more the case seeing that Marx simply passes from one meaning to another in these passages. Several meanings are mixed up together. Here we can understand that capital seeks to complete its circuit as fast as possible, valorize a maximum of surplus value and begin again. So, when it fixes in a part of the production process, this fixing appears as devalorization, a brake, an obstacle and a hindrance to its valorization. Capital never ceases to try to overcome these obstacles. For example, it seeks to reduce the period of circulation<sup>60</sup>, its stock, the production period and money capital which remains in the form of money, while increasing the period of utilization of fixed capital. Also, while capital benefits from the industrial reserve army from which it can draw on rapidly for the labour force it requires, it then sends it back when it has no further use for it. The ideal of capital is to be completely circulating and fluid so it can valorize the most<sup>61</sup>. If the opposite happens, at the end of the previous period it is totally fixed during the general crisis of overproduction<sup>62</sup>. In reality, in the intermediary periods, where it tends to go towards one pole or the other, marked by drastic downturns, it is always both circulating and fixed<sup>63</sup> in variable proportions, which explain the variations of the conjuncture, ranging from a slowed activity to the exacerbated tension of the

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<sup>60</sup> The tendency is even to pose the period of circulation as zero, which negates the presuppositions of capital.

“There is the maximum valorization of capital, and maximum continuity of the production process, if circulation time = 0, i.e. if the conditions under which capital produces, its limitation by circulation time, the need to pass through the different phases of its metamorphosis, are transcended. Capital necessarily arrives to posit circulation time as = 0, i.e. to transcend itself, for it is only capital that posits circulation time as a moment determining production time. It is the same as transcending the necessity of exchange, of money and of the division of labour based on them, i.e. the same as transcending capital itself.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 17)

<sup>61</sup> “During one period, the process appears as a completely fluid one – the period of the maximum valorization of capital.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 11)

<sup>62</sup> “During the other period, a reaction to the first one, the other moment asserts itself all the more violently – the period of the maximum depreciation of capital and stagnation of production.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 11)

<sup>63</sup> “The moments when the two determinations appear side by side are themselves merely intermediate periods between these violent transitions and upheavals.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p.11)

“(…) part of the national capital is always tied up in one of the phases through which capital has to pass. *Money* itself, so far as it constitutes a particular part of a nation’s capital, but always remains in the form of means of circulation and hence never passes through the other phases, is therefore regarded by A. Smith as a pseudo-form of fixed capital.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 10)

productive forces, from slow recovery to feverish expansion, from stagnation to general overproduction<sup>64</sup>.

In other terms, not all capital advanced valorizes. For one part to devalorize, another part must remain unproductive, fixed and devalorized. The proportion of the one to the other varies according to the phases of the conjuncture, and the tendency of capital is to try to reduce fixed capital to a minimum, but this reappears at an even greater level with crises.

Here again there is a dialectical relationship between valorization and devalorization, but in this case the opposition takes the path of valorization rather than valorization and non-valorization, making a profit and not making a profit, fluidity and fixedness, activity and inactivity, fruitfulness and waste.

From the point of view of the rate of profit, this means that the surplus value is related to an advanced capital, including capital which remains fixed, latent, waste, unproductive and dormant. The rate of profit is similarly reduced and hence capital reduces this part of advanced capital and the rate of profit rises. This is what happens in the phases of the cycle when the conjuncture is favourable for business. The opposite phenomenon is the case with the general crisis.

#### **2.8.4 Devalorization = effect of unproductive expenditure (4<sup>th</sup> meaning)**

Marx introduced a new nuance to the concept of devalorization in relation to the process we examined above. When capital is fixed in the phase of circulation, it does not valorize and in this

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<sup>64</sup> “It is very important to conceive of these determinations of circulating and fixed capital as *form determinations* of capital in general, since [otherwise] many phenomena of the bourgeois economy – the period of the economic cycle, which is essentially distinct from the time of the single turnover of capital (...) If it were not inherent in the nature of capital to be never fully employed, i.e. to be always partly *fixed*, devalorized, unproductive, no stimuli could impel it to greater production.” Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, pp. 11-12)

“The capitalists, their co-owners, their retainers and their governments each waste a considerable part of the net annual product. Moreover, they hold as their funds for consumption a whole range of objects to be used slowly designed for reproductive use and sterilize in their personal service a host of labour power. A part of the quota of wealth that capitalizes is therefore never as great as it could be. Its size compared with total social wealth along with all charges that take place in the distribution of surplus value between personal revenue and additional capital and the proportion according to which this distribution is made to vary endlessly under the influence of conjunctures which we cannot discuss here. It suffices to say that instead of being a predetermined and fixed amount of social wealth, the capital is just a variable and fluctuating fraction.

“As for the capital that is put to work, even if its value is determined all the same by the mass of commodities it is made up of, it in no way represents a constant productive force operating in a uniform manner. We have seen that, on the contrary, it allows great elasticity in the intensity, effectiveness and extension of its action. In order to examine the causes of this phenomenon, we adopted the viewpoint of production, but we should not forget that the various levels of rapidity of circulation in their own turn take part in modifying considerably the action of a given capital. Despite these facts, economists have always been too willing to see in capital only a predetermined portion of social wealth, only a given sum of commodities and labour power operating in a more or less uniform manner.”

“In the light of his [Bentham’s – ed.] dogma, the commonest phenomena of the process of production, as e.g., its sudden expansions and contractions, nay, even accumulation itself, become perfectly incomprehensible.” (The first two paragraphs do not appear in the English translation of Capital, but only in French in *Le Capital* Vol. 1, La Pléiade Tome 1, pp. 1117-1118; while the last paragraph is in Capital Vol. 1, Collected Works Vol. 35, p. 605)

sense it devalorizes, which is the sense we have examined so far. However, when additional expenditure is made available to get this capital to circulate in order to contribute to its realization, this expenditure will affect the effective surplus value which is to be transformed into profit.

“(…) if I convert a commodity into the form of money, or money into the form of a commodity, the value remains the same; but its form has changed.

It is clear, therefore, that circulation – since it comes down to a series of operations in which equivalents are exchanged – cannot increase the value of the circulating commodities. Hence, if labour time is required to effect this operation, i.e. if values must be consumed – for all consumption of values comes down to the consumption of labour time or objectified labour time, products – if circulation involves costs, and if circulation time costs labour time, then this is a deduction, a relative abolition of the circulating values, their devalorization by the amount of the circulation costs.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, pp. 20-21)

Consequently here devalorization takes on the sense of the diminution of the surplus value effectively transformed into profit due to unproductive expenditure in the circulation process. We will come back to this in another work dedicated to the importance of this type of capital on the rate of profit: This will thus lead us to create a concept of a rate of profit which we call “rate of profit of reproduction” which relates the reduced surplus value of unproductive expenditure to the advanced capital increased by unproductive expenditure (which are presented all the same as advanced capital), according to a formula already established by Joseph Gillman in 1957.

### 2.8.5 Devalorization = disaccumulation (5<sup>th</sup> meaning)

As we have already seen, Marx could mean the fixing of capital by devalorization. Capital is suddenly immobilized by crises and the unemployed capital (its presence is permanent, even if it falls to zero in phases of extreme use of productive forces) increases rapidly.

Let us now turn to Capital Volume III, where overaccumulation and crisis are dealt with as well of the effects, which are also the conditions allowing for the reestablishment of a situation where capital can get back onto the path of valorization.

We can connect the concepts of “fixed capital”, “dormant capital” and “capital left to waste”<sup>65</sup> of the 1857-1858 Manuscripts which we analysed above with those of “unemployed capital”, “inactive capital” and “capital put to sleep”<sup>66</sup>, “left to waste” or “left fallow” from Capital Volume III<sup>67</sup>, while that of circulating, fluid capital is to be compared with “active capital”.

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<sup>65</sup>“The concept of *dormant capital*, capital lying fallow, can only refer to its lying fallow in one of these determinations [circulating and fixed capital, ed.], and it is a feature of capital that part of it always lies fallow.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 10)

<sup>66</sup> The two passages quoted by Boccara from the translation of Capital Volume III in Editions Sociales, based on the edition prepared by Engels, speaking of “dormant capital” are given in different terms in the edition prepared by Maximilien Rubel. Follow the translations in French (Rubel) and in English (Collected Works), where we italicize the terms in question.

« En toutes circonstances, une partie de l'ancien capital devra *rester oisive* et renoncer à sa qualité de capital actif destiné à fructifier » (Marx, Capital, L.III, Pléiade, T.2, p.1035)

“A portion of the old capital has to *lie unused* under all circumstances; it has to give up its characteristic quality as capital, so far as acting as such and producing value is concerned.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp. 251-252)

As we have seen, during the crisis, capital remains fixed in the various phases of its process and in different forms. This phenomenon is generalized in crises with capital overall being fixed, frozen and unable to valorize. This is so no longer only for a part of capital, that part which is

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« Dès lors, comment ce conflit s'aplanirait-il et comment seraient rétablies les conditions d'un mouvement « sain » de la production capitaliste ? Le simple énoncé du conflit qu'il s'agit d'aplanir implique déjà la manière de le résoudre. Dans tous les cas, l'équilibre se rétablirait par la *mise en friche*, voire la destruction de capitaux plus ou moins importants. » (Marx, Capital, L.III, Pléiade, T.2, p.1035-1036)

“How is this conflict settled and the conditions restored which correspond to the “sound” operation of capitalist production? The mode of settlement is already indicated in the very emergence of the conflict whose settlement is under discussion. It implies the *withdrawal* and even the partial destruction of capital amounting to the full value of additional capital  $\Delta C$ , or at least part of it.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 252)

Comparing the English and French translations we have: in the Grundrisse (note 65): “capital lying fallow” = “capital en friche” for *brachliegenden Kapital* (MEW Vol. 42, p. 521); in the first quote of the Capital Vol. III: “lie unused” = “rester oisive” for *Brachlegung* (MEW Vol. 25, p. 263); and in the second quote: “withdrawal” = “mise en friche” for *Brachlegung* (MEW, idem).

If we look at the original text, the relation between them is clear. Marx uses in the Grundrisse the term *brachliegenden Kapital* correctly translated by the French term *friche*, and in the Capital he uses *Brachlegung*, translated differently into the quotes. We note that this last term can also be translated in French by *jachère*.

In German, the common root *Brache* leaves the terms quite close in meaning. However, it has two related meanings: concerning land, it refers to a piece of fallow land or uncultivated (waste) land; concerning time, it refers to a fallow period (cf. Oxford German Dictionary). In French, we should note that the difference between ‘*friche*’ and ‘*jachère*’ lies in the intention and the length of time. ‘*Jachère*’ is planned for a given period: a fallow period, relating this term to the second meaning of the root, while ‘*friche*’ is more generally synonymous for a long period of setting aside: left to go to waste or unused, relating it to the first meaning. In the case of crises of overproduction, the logic of ‘*friche*’ and ‘*jachère*’ cannot be totally separated. The sudden nature of the crisis and the subsequent bankruptcies do not have the organized character of ‘*jachère*’. It is so too when capital is destroyed. On the other hand, the cessation of activity of a part of capital is not definitive and it can start up again when the crisis has been overcome. As crises are not permanent and the rationalization of capital intervenes during them to raise the level of productivity, we can just as well speak of ‘*jachère*’ (a period to lie it fallow). In any case, if the closeness of the terms in the 1857-1858 Manuscripts and in Capital is clearly seen, what Boccara has done demonstrates a manipulation of the quotations.

<sup>67</sup> “(...) it would appear that a portion of the capital would lie completely or partially idle (because it would have to crowd out some of the active capital before it could expand its own value), and the other portion would produce values at a lower rate of profit (...)” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 250)

“The part of  $\Delta C$  [the new accumulated capital – ed.] in the hands of the old functioning capitalists would be allowed to remain more or less idle to prevent a depreciation of their own original capital and not to narrow its place in the field of production. Or they would employ it, even at a momentary loss, to shift the need of keeping additional capital idle on newcomers and on their competitors in general.”

“That portion of  $\Delta C$  which is in new hands would seek to assume a place for itself at the expense of the old capital, and would accomplish this in part by forcing a portion of the old capital to lie idle. It would compel the old capital to give up its old place and withdraw to join completely or partially unemployed additional capital.”

“A portion of the old capital has to lie unused under all circumstances, it has to give up its characteristic quality as capital, so far as acting as such and producing value is concerned.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp 251-252)

required to enable valorization to take place and which capital tries to reduce to a minimum, which is fixed, but also capital overall. Under the effect of the division of sale and purchase, difficulties met in the realization of surplus value and the social product and in the conversion of money capital into the elements of productive capital<sup>68</sup>, capital is paralysed in various phases of its process and in different forms.

The capitalist class monopolizes the means of production, money and the means of consumption. As the conditions of production and the conditions of realization are not the same, competition decides who will be hit and to what extent by the effects of the fall in the rate of profit and the crisis that accompanies it.

Letting go to waste relieves the fixing of capital from its transition from active capital to the rank of fixed capital. Even if it is always partly so in this relationship, the deterioration of the latter in favour of fixed capital all the same leads to a new fall in the rate of profit because capital no longer creates value: it no longer valorizes. We therefore go into a downwards spiral of the crisis of overproduction<sup>69</sup>. In the best hypothesis, the amount of capital which is fixed matches the amount of capital which must disappear in order to reestablish a “normal” exploitation of the labour force. However, in this situation nothing can be taken as given. Capital is immobilized and fixed. In this sense, it has been devalorized as in meaning 3, in the sense of its non-valorization, its unproductivity as capital. Capital has to shake off its inactivity if it is to start back on the path of valorization and seek the maximum surplus value. Fixed capital grows during the crisis and therefore this type of devalorization leads to a worsening of the crisis. At the very best, this means it is carried through and finished. The crisis underway is clearly the generalization of the transition from the active to the fixed state.

However, at the same time it provides an element for the solution seeing that the mass of profit can compensate for the fall in the rate of profit. In fact, if only a part of the capital is fixed while the other continues to valorize, the rate of profit falls, but the remaining profit could be enough to absorb the shock connected to the part of capital that becomes inactive. This dimension is available for large capital. Nevertheless, in order to reestablish fully favourable conditions for restarting accumulation, after the torpor which took its hold on capital, with the renaissance of active capital chasing maximum surplus value, capital also has to be destroyed<sup>70</sup>.

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<sup>68</sup> “Similarly, capital may lie fallow, be fixed in the form of money, of value withdrawn from circulation. In crises – *after* the moment of panic – at the time when industry lies stagnant, money is fixed in the hands of BANKERS; BILL-BROKERS etc., and pants after a FIELD OF EMPLOYMENT in which it can be utilized as capital as the hart pants after the water brooks.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29 p. 10)

<sup>69</sup> “And the reduced mass of profit would have to be calculated on an increased total capital. But even if it is assumed that the employed capital continues to self-expand at the old rate of profit, and the mass of profit hence remains the same, this mass would still be calculated on an increased total capital, this likewise implying a fall in the rate of profit.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 251)

<sup>70</sup> “How is this conflict settled and the conditions restored which correspond to the “sound” operation of capitalist production? The mode of settlement is already indicated in the very emergence of the conflict whose settlement is under discussion. It implies the withdrawal and even the partial destruction of capital amounting to the full value of additional capital  $\Delta C$ , or at least a part of it. Although, as the description of this conflict shows, the loss is by no means equally distributed among individual capitals, its distribution being rather decided through a competitive struggle in which the loss is distributed in very different proportions and forms, depending on special advantages or previously captured positions, so that one capital is left unused, another is destroyed, and a third suffers but a relative loss, or is just temporarily depreciated, etc.

But the equilibrium would be restored under all circumstances through the withdrawal or even the destruction of more or less capital. This would extend partly to the material substance of capital, i. e., a

The crisis, we must repeat, does not just affect a part of the social product, notably surplus value, or a part of it. It is the social product overall which tends to remain unrealized, failing to pass from the commodity form to the money form. At the same time, money capital is not converted into the elements of productive capital. In other words, active capital is fixed and immobilized in its various phases and forms and ceases both to be realized and to valorize. The crisis is general.

However, this analysis is on a particular conceptual level. We are on the conceptual level of total capital. If the concept approaches reality and reality approaches the concept, we cannot therefore say that all activity is paralysed during crises.

Marx placed himself at the level of “many capitals” in Capital Volume III and measured the influence of the crisis on them. Capital is deployed in companies. The largest of them concentrate a large part of social capital, while the smaller ones swarm around. These enterprises tend to be in particular areas and branches of production and specific sectors and can also form part of groups. Consequently, there is a varied distribution of capital in a range of enterprises, themselves engaged in a range of activities. They are not equally affected by the crisis, given the capital available, the activity they undertake, and also the time they have been on the market. As always, even when business is “healthy”, companies close either because the owner gives up the business, perhaps by retiring, or because they pull out quietly when their business is no longer profitable, even if they do not leave business due to bankruptcy, while in the meantime other businesses start-up. When a business activity is wound up, part of the capital is converted into revenue, while when a business starts up, part of revenue and other “dormant values”<sup>71</sup> are converted into capital (here we are abstracting from the influence of accumulation of surplus value, the sprouting of new shoots from old capital and credit). During crises, the formation of businesses slows and falls, while closures increase. However, losses may also occur without making the business fail. The company capital diminishes, it sacks personnel, changes and rationalizes its activity while hoping to restart accumulation.

Marx therefore showed that it (the case of overproduction of capital) is the insufficiency of surplus value as regards advanced capital, the sudden fall in the rate of profit which leads to the division between sale and purchase and thus the manifestation of the crisis. While this stop leads to a reduction in advanced capital leading to losses, increasing bankruptcies and closures, and

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part of the means of production, of fixed and circulating capital, would not operate, not act as capital; some of the operating establishments would then be brought to a standstill. (Marx, Capital Vol. III, Collected Works Vol. 37, p. 252)

<sup>71</sup> The term “dormant values” does not appear in the English translation of *Capital* (Cf. Marx, Capital Vol. I, Collected Works. Vol. 35. p. 620, paragraph beginning “Every individual capital (...)” as it does in the French edition. This is a translation of the equivalent paragraph:

“Just as the sum of increments whose accumulation increases individual capitals goes to enlarge social capital too, the relative concentration that all these capitals represent *on average* cannot grow without a simultaneous growth in social capital, i.e. the social wealth to be used for reproduction. Here stands the first barrier to concentration, which is nothing other than the corollary of accumulation. That is not all. The accumulation of social capital does not only result from the gradual growth of individual capitals, but also from the rise in their number; either because **dormant values** are converted into capital, or because the shoots of old capitals split off to take root independently of their old stock. Finally, large capitals which accumulated slowly split up at a certain moment into several separate capitals, for example with the division of a capitalist’s family inheritance. Concentration is thus followed both by the formation of new capitals and by the division of the old ones.” (Marx, Le Capital Vol 1, La Pléiade, Tome 1, p. 1137 – our emphasis – ed.)

while capital renewal is slowed, it lays a new productive basis that allows for getting back to the former level of exploitation and rate of profit.

The phenomenon of fixing capital and the limitation to valorization (and in this sense the meaning of devalorization in the sense of the unproductivity of capital, see above), causes destruction of capital, which is a new meaning of devalorization. Here it is destruction of capital through losses, therefore disaccumulation, that is decapitalization. The capital base shrinks to allow for the reestablishment of the conditions for a restart to exploitation. It now has a stronger productive potential. Dead branches are lopped and young sprouts flourish, and, even if the latter are fewer, they take up some of the empty space.

If viewed from the standpoint of total capital, we must state that the capital is left to go to waste or left fallow, set aside, left to sleep fixed in one of its phases (production and circulation) of its circuit, either in the money form or the form of productive capital or in the form of commodity capital. Capital is paralysed, immobilized and living in the past and nothing will wake it up. Capital is waiting for a fresh start drastic devalorization/depreciation can offer (yet another meaning of devalorization we will examine later).

The analysis becomes more refined when we introduce the division of capital into many capitals. For capitals where the mass of profit cannot compensate for the fall in the rate of profit, for those whose activity is so low that they cannot continue to exist, for those who have life threatening levels of loss<sup>72</sup>, they are on the way out through disaccumulation and endless decapitalization.

A new couple of valorization/devalorization can be formed as the synonym for accumulation/disaccumulation. Capital draws back to its reduced productive basis, which is, however, more productive. This situation is envisaged by Marx in this part of the quotation which we will give fully later on. “The other aspect of the crisis resolves itself into a real fall in production, in living labour, in order to restore the correct proportion of necessary to surplus labour, on which, in the last analysis, everything rests.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 375)

## 2.8.6 Devalorization = destruction of use values (6<sup>th</sup> meaning)

Even if we separate certain aspects for analytical reasons in order to better express their specific nature, they remain together in the reality of crises.

The fixing, paralysis, letting go to waste, leaving dormant of capital leads to the destruction of capital. Marx drew together these phenomena<sup>73</sup> together under the same term:

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<sup>72</sup> Other sectors in loss also go into negative accumulation, but can expect to recover either because the profits made in other business mitigate these losses, or because the mass of accumulated capital is such that the company can manage its falling back.

<sup>73</sup> “When speaking of the *destruction of capital* through crises, one must distinguish between two factors.

In so far as the reproduction process is checked and the labour process is restricted or in some instances is completely stopped, *real* capital is destroyed. Machinery which is not used is not capital. Labour which is not exploited is equivalent to lost production. Raw material which lies unused is not capital. Buildings (also newly built machinery) which are either unused or remain unfinished, commodities which rot in warehouses – all this is destruction of capital. All this means that the process of reproduction is checked and that the *existing* means of production are not really used as means of production, are not put into operation. Thus their use value and their exchange value go to the devil.

Secondly, however, the *destruction of capital* through crises means the DEPRECIATION of *values*, which prevents them from later renewing their reproduction process as capital on the same scale. This is the



- Devalorization/disaccumulation
- Devalorization/destruction of use values
- Devalorization/general depreciation (this is the last case to be examined below)

The previous chapter dealt with the question of devalorization/negative accumulation. This chapter deals with the following point which we have set aside here under the heading “devalorization = destruction of use values”.

When capital fixes, immobilizes and becomes dormant, capital as use value can collapse through the lack of use. Time takes its toll. Stocks go to rack and ruin. The same fate awaits unused machinery and abandoned premises. As in the proverb: “he who hesitates is lost”<sup>74</sup>, where the exchange value evaporates as the use value is lost. We can add to the use values that rot and rust those that remain incomplete, even though capital was advanced for them, such as abandoned building sites.

### 2.8.7 Devalorization = general depreciation of capital (7<sup>th</sup> meaning)

With this last meaning, devalorization means general depreciation, a drastic and ruinous fall in prices at the moment of the crisis so as to reestablish the equilibrium of capital by favouring its destruction. It is the most acute moment of the crisis, the moment that bourgeois political economy fearfully classes as deflation. In this case, prices take the opposite direction to that of value, which instead tends to rise as labour productivity is on the downturn, by falling suddenly.

We can consider that in this sense that the term devalorization is equally classic because this devalorization though general depreciation substitutes for the 2<sup>nd</sup> meaning of devalorization (devalorization = fall in value due to the increase in productivity) whose default caused the crisis. The fall in value due to the development of labour productivity, the corollary of the growth of surplus value, is substituted for, while the rate of surplus value turns down, by devalorization through the intermediary of a general fall in prices. Besides real capital, fictitious capital<sup>75</sup>, which also has an autonomous movement, is hit by this devalorization too<sup>76</sup>.

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ruinous effect of the fall in the prices of commodities.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 127)

<sup>74</sup> “Although in this respect, time attacks and worsens all the means of production (except land), the stoppage would in reality cause far greater damage to the means of production.” (Marx, Capital Vol. III, Collected works Vol. 37, p. 252)

Marx is not alluding here to the even more destructive effect that we are about to describe as the cessation of activity, but to still another form of devalorization, that is general devalorization/depreciation, the object of devalorization in its last analysed meaning.

<sup>75</sup> This text only deals passingly with the concept of fictitious capital, which nevertheless plays an important role in crises. Our analysis concentrates on the crisis resulting from the production process itself.

Marx did not invent the concept of fictitious capital, but took it from political economy, which used it in various ways (cf. Michael Perelman’s review in Marx’s Crisis Theory). As things stand for our analysis, we have noticed that Marx gave at least three different meanings that we are used to class as follows:

1. Fictitious capital meaning I, or in the sense **i**, emphasizing the low case **i**, where fictitious means illusory or imaginary. Fictitious capital meaning I includes certificates for shares, bonds, treasury bills, mortgage loans etc. Their market value is the same as their anticipated revenue, capitalized at the market rate of interest.
2. Fictitious capital meaning II, or the sense **f**, with an emphasis on **f** for fraudulent. The real capital lent by the credit barons does not function as capital, but is spent as revenue. An example of this type of a fraudulent practice can be found in the sale of titles of nobility.

In this case, Marx undoubtedly hesitated to use the term “depreciation” rather than that of “devalorization”. However, seeing that the term depreciation can be relative, that is it can concern commodities and companies, he preferred to speak about devalorization, on the one hand, to increase the meaning, on the other, so as to demonstrate better that this process reestablishes the equilibrium lost by the stop of devalorization in the second meaning<sup>77</sup>. In this sense, therefore, devalorization means the general depreciation of capital<sup>78</sup>, general depreciation,

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3. Fictitious capital meaning III, or meaning **ct** for credit. Here it is an over-credit. Too much credit is made available. The distribution of credit above the needs for accumulation (the question is, however, more complex as a larger mass of money must always exist, above all to handle the circulation of fictitious capital as well as real estate trading) which can also favours fictitious capital meanings I and II (when demand arising from out of the blue which leads to a swelling of the demand for certificates and artificially increases their market value and feeds speculation and outright speculation while the accumulation of real capital also favours it this growth on a basis which is both real and parasitic at the same time). Some information that explains the rise of fictitious capital starting from the movement of real capital can be found in our book *Crise du capital, crise de l'entreprise* (in French). Available on our website: <http://www.robingoodfellow.info>.

<sup>76</sup> “The main damage, and that of the most acute nature, would occur in respect to capital, and in so far as the latter possesses the characteristic of value it would occur in respect to the *values* of capitals. That portion of the value of a capital which exists only in the form of claims on prospective shares of surplus value, i.e. profit, in fact in the form of promissory notes on production in various forms, is immediately depreciated by the reduction of the receipts on which it is calculated. A part of the gold and silver lies unused, i.e., does not function as capital. Part of the commodities on the market can complete their process of circulation and reproduction only through an immense contraction of their prices, hence through a depreciation of the capital which they represent. The elements of fixed capital are depreciated to a greater or lesser degree in just the same way. It must be added that definite, presupposed price relations govern the process of reproduction, so that the latter is halted and thrown into confusion by a general drop in prices. This confusion and stagnation paralyses the function of money as a medium of payment, whose development is geared to the development of capital and is based on those presupposed price relations. The chain of payment obligations due at specific dates is broken in a hundred places. The confusion is augmented by the attendant collapse of the credit system, which develops simultaneously with capital, and leads to violent and acute crises, in sudden and forcible depreciations, to the actual stagnation and disruption to the process of reproduction, and thus to a real falling off in reproduction.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 253)

<sup>77</sup> On the other hand, Marx equally seems to maintain the usage of the term depreciation for the analysis of price movements which affect capitalist production in its “normal” course of events. Here depreciation means the same as the fall in the value of advanced capital (e.g. the fall in the price of raw materials). This fall (for the rise, Marx speaks of increase in value: the valorization due to surplus value is left aside) can equally come from the fall in value itself as from price movements due to competition, the effects of the credit system etc. This depreciation of advanced capital can also concern constant capital (either fixed or circulating) and variable capital (cf. Marx, Capital Vol. III, Collected Works Vol. 37, p. 140).

<sup>78</sup> “Thus in a crisis – with the general depreciation in prices – there also occurs up to a certain moment a *general devaluation or destruction of capital*. The devaluation can be *general* absolute, and not just relative, as with a *depreciation*, because value does not, like price, merely express the relationship of one commodity to another, but the relationship between the price of the commodity to the labour objectified in it, or the relationship of one amount of objectified labour of the same quality to another. If these amounts are not equal, a *devaluation* occurs which is not compensated for by an appreciation on the other side, since the other side expresses a fixed amount of objectified labour which cannot be altered by exchange. In general crises, the devaluation extends even to living labour capacity.

According to what has been indicated above, the destruction of value and capital which occurs in a crisis coincides with – or means the same as a *general growth of the productive forces*, which, however, does not take place through a real increase in the productivity of labour (in so far as this results from crises, it does not belong here) but through a diminution if the existing value of raw materials, machinery and labour

the destruction of capital, which aims to violently redirect value back to a level where the relationship between surplus value and necessary labour can allow a restart of valorization.

If from the point of view of total capital, it is a devalorization affecting capital overall, when we place the analysis at the level of competition and “many capitals”, one of the aims left unfulfilled<sup>79</sup> in Marx’s work, different capitalists do not face this devalorization on an equal footing<sup>80</sup>.

## 2.9 Marx, the crisis of overaccumulation and the devalorization of capital

### 2.9.1 Rearranging the scenery

As we have already stated above, Marx used a particular, now outdated, historical framework, to illustrate overaccumulation, the overproduction of capital. On the other hand, the considerations he uses as a base for the conditions leading to the reestablishment of a “healthy” situation, a full return to accumulation, are those of modern capitalism and the crises of overproduction inherent in fully developed capitalist production.

There is the total immobilization of capital in the ideal conceptual scheme we use for the general crisis. It is frozen in the various forms of its process, as money, as means of production, or as commodities. Capital no longer converts into the elements of productive capital and therefore commodities are not realized. Hence, capital is not fruitful, but fixed and immobilized. When speaking of fixed capital during the crisis, it is not so much fixed capital, which by necessity exists in relation to active capital (e.g. starting when capital enters the process of circulation or when

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capacity. E.g. the cotton manufacturer loses capital on his products (e.g. twist), but he buys the same value in cotton, labour etc., at a lower price. It is the same for him as if the *real value* of labour, of cotton etc., had diminished, i.e. as if they had been more cheaply produced through an increase in the productivity of labour.

Likewise, on the other hand, a sudden general growth of the productive forces would devalorize [this is devalorization in its 2<sup>nd</sup> second meaning - ed.] relatively all *existing values*, labour objectified at a lower level of the productive forces, and therefore destroy existing capital just as it would destroy existing labour capacity.

The other aspect of the crisis resolves itself into a real fall in production, in living labour, in order to restore the correct proportion of necessary to surplus labour, on which, in the last resort, everything rests.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 375)

<sup>79</sup> ”The movement in which this [valorization/devalorization, crisis, that is the abolition of this devalorization in the 2<sup>nd</sup> meaning and its replacement by that in the 7<sup>th</sup> meaning- ed.] really takes place can only be considered when we consider *real* capital, i.e. competition, etc., the real existing conditions.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 376)

<sup>80</sup> “It does not cause the destruction of any use values. What one loses, the other gains. Values used as capital are prevented from acting again as *capital* in the hands of the same person. The old capitalists go bankrupt. (...) A large part of the nominal value of the society, i.e. of the *exchange value* of the existing capital, is once and for all destroyed, although this very destruction, since it does not affect the use value, may very much expedite the new reproduction., This is also the period during which MONIED INTEREST enriches itself at the cost of INDUSTRIAL INTEREST. As regards the fall in the purely nominal capital, state bonds, shares, etc. – in so far as it does not lead to the bankruptcy of the state or of the share company, or to the complete stoppage of reproduction through undermining the credit of the industrial capitalists who hold such securities – it amounts only to the transfer of wealth from one hand to another and will, on the whole, act favourably upon reproduction, since the parvenus into whose hands these stocks or shares fall cheaply, are mostly more enterprising than their former owners.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 127-128)

capital continues to remain frozen in the form of money capital to ride out the fluctuations in activity), as that all capital becomes fixed. There it is a sudden halt to accumulation. In the crisis, when surplus value is insufficient in relation to the conditions required by the level of exploitation, sale and purchase are divided, and capital is no longer realized, while money is no longer converted into the elements of productive capital. Capital is immediately immobilized.

In theory, if we consider the abstract dimension of the analysis of the crisis, the whole social capital can be paralysed. In reality, when we look at the level of many capitals and no longer at the level of total capital, the idleness, the dormant state, the letting go to waste, the leaving fallow of capital are possible solutions for reestablishing the conditions for restating accumulation and reestablishing or even improving the previously prevailing conditions of exploitation. They are both the symptoms of the crisis and the origin of the solution to rebalance the upset equilibrium. With the sudden and dramatic outbreak of the crisis, when all capital freezes, the labour force is no longer paid wages and rejoins the ranks of the industrial reserve army which increases accordingly.

This theoretical scheme never appears as such in reality. The crisis develops as a spiral and spreads to various sectors starting from the sector where it broke out. If the whole of capital is affected, in practice not the whole of capital stops. At the level of individual capital, or “many capitals”, certain businesses could even develop, while new ones are set up and gain a foothold. A more circumstantial idea of the crisis requires leaving the level of abstraction of total capital in order to examine and analyse capital in its various aspects and dynamics. These particular dimensions of the crisis were not in the plan of *Capital* and Marx dealt with them only in passing, leaving questions concerning these aspects of the crisis for another work.

If capital is immobilized, fixed, frozen and left dormant or fallow, this also means that the division between sale and purchase appears and a slump has set in. Consequently, while overaccumulation takes place at a moment in the cycle following the accumulation of surplus value, it should not make us think that this overaccumulation only affects this part of capital. The whole of the capitalist relationship has been shaken. In the framework of the division of the social product into constant capital, variable capital and surplus value, when only a part of the social capital can be realized, this realized capital automatically begins to be allocated to advanced capital and therefore surplus value is the first to be hit by the crisis. What has happened is not an excess accumulation of surplus value in overaccumulation, but overproduction on the level of total capital resulting from the insufficiency of the surplus value produced.

Absolute overaccumulation is notably characterized by the fact that marginal profit is zero or even negative. In the latter case, this means that marginal advanced capital is partly lost, which has effects on the level of total capital and the rest of the surplus value.

We can recapitulate all the terms used by Marx, which are more or less synonymous and which we have repeated *as nauseam*, in order to state that when capital freezes, fixes, immobilizes, remains inactive, is unfruitful, lies fallow, or becomes dormant, there is a crisis of overproduction. Capital no longer valorizes. In this sense, it devalorizes (cf. the 3<sup>rd</sup> meaning of devalorization). This halt, this sudden blocking, characterizes the crisis of overproduction. It leaves money immobilized in the hands of industrial or commercial capitalists and bankers, and the unused means of production or unsold commodities too, with the workforce on the street. Accumulation can restart only when several factors obtain.

Marx calculated the total capital to be devalorized in such a way that the rate of profit and the relationship of exploitation that previously prevailed would be reestablished.

His teaching model, we have seen, describes a fall in the rate of profit and overaccumulation that followed it caused by an increase in wages. Consequently, if we continue with this scheme, the reestablishment of the relationship of exploitation requires a reduction of wages. Sacking the work force should cause downwards pressure on wages and thus favour the reestablishment of the previous relations of exploitation. Marx clearly evoked this balancing phenomenon in Volume I when dealing with the framework used for the formalization of absolute overaccumulation. He certainly did not forget to take into consideration this aspect in the analysis of factors that would allow restarting business. Nevertheless, he analyses them as a complementary factor<sup>81</sup>, a supporting factor in “leaving dormant and destroying capitals”, which clearly indicates that we are dealing with crises of overproduction characteristic of the most highly developed capitalist mode of production where capital really subordinates labour.

We can therefore find two dimensions in Marx’s presentation. He sets up an increase in wages, which drastically hits surplus value production and the rate of profit, giving birth to the crisis. The corollary is overaccumulation, overproduction of capital. The historical framework is out of date, but remains simple enough to explain his argument. We can continue from this starting point with a different framework for the effects of the crisis and the process of recovering accumulation. Marx no longer considers wages as primary, but instead the drastic devalorization of capital.

It is equally important to note that Marx treated advanced capital as a single block without concerning himself particularly with the division of capital into constant capital and variable capital. Here we should note again that we are using a teaching model, a simplified theoretical framework to be used to help our understanding.

The logic he developed saw an increase in wages. They have to be cut to reestablish the relation of exploitation. This can be obtained by sacking workers, which puts downwards pressure on wages. However, this is not really the argument. Now Marx’s reasoning is about total capital, so he downplays this aspect of the subject which really only has a relative importance in the framework of modern crises of overproduction. They are part of and results of the process of valorization/devalorization, the contradictory progress of labour productivity, and require different forms of dramatic devalorization of capital.

## 2.9.2 Devalorization/disaccumulation

Marx also talks about “leaving dormant and partially destroying capital”<sup>82</sup> when facing the problem of reestablishing relations of exploitation enabling the overcoming of the crisis. From the point of view of total capital, leaving dormant is both an expression of the crisis and one of the ways to reestablish business. Marx envisaged crisis as a collection of contradictions from a dialectical point of view<sup>83</sup>. The crisis is at once the creation of a disequilibrium due to the violent

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<sup>81</sup> “But there would have been still other agencies [other than devalorization and lying dormant ed.] at work at the same time. The stagnation of production would have laid off a part of the working class and would thereby have placed the employed in a situation where it would have to submit to a reduction of wages even below the average. This has the very same effect on capital as an increase of the relative or absolute surplus value at average wages would have had.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 253)

<sup>82</sup> Lying fallow or lying unused, cf. notes to “Relative overaccumulation” above.

<sup>83</sup> “The circulation process as a whole or the reproduction process of capital as a whole is the unity of its production phase and its circulation phase, so that it comprises both these processes or phases. Therein lies a further developed possibility or abstract form of crisis. The economists who deny crises consequently assert only the unity of these two phases. If they were only separate, without being a unity,

separation of the unity making up the different phases capital follows and the violent reestablishment of the unity that has been broken.

The total capital left dormant is *a priori* equal to the total of what has to be devalorized in order to restore the relation of exploitation that allows restarting accumulation. Capital left dormant is the expression of the crisis; the crisis appears as the fixing and the immobilization of capital. At the same time, through the crisis, leaving fallow and letting go to waste capital, the drastic reestablishment of the broken unity takes place.

In the case of large capitals, the mass of profits can compensate for the fall in the rate<sup>84</sup>, as the rate of profit falls, but the mass of profit is such that it can compensate for the fall in the rate<sup>85</sup>. However, in this case, this means that the capital has realized the entire commodity capital produced. It absorbs the blow from the fall in the rate of profit, because all the capital value has been realized. Here there is no leaving dormant or immobilization of capital. If this happens, it means that a slump has taken place. A part of capital freezes and therefore no longer makes a profit. Moreover, its reproduction as capital ceases. For example, the unused means of production lose their value. For bookkeeping purposes, their value is amortized in the same way as are means of production in use. The premises remain to a certain extent and for a certain period the same whether they house a greater or lesser number of wage earners. This also applies to warehouses, or even to covered premises, as they form part of advanced capital. If wage workers are laid off, but have not been sacked, the wages for the inactive part is transformed into a withdrawal from the profit produced by the active part. All these factors weigh on the effective total profit. For these businesses, the capital left dormant forms part of the denominator of the rate of profit. A variable part, taking account especially of the importance of fixed capital, it is also deducted from the profit made. The rate of profit is therefore equally affected. Companies, depending on the size of their own funds, and their position on the market, will achieve different results.

The more solid companies can compensate loss-making areas with profits made in other sectors. The rate of profit is low, but positive. For other businesses, the fall can become a loss<sup>86</sup>, but they are sufficiently well established to react and adapt to a situation caused by the crisis. For yet other companies, the crisis drags them down either to a premature closure of their activity or to an

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then their unity could not be established by force and there would be no crisis. If they were only a unity without being separate, then no violent separation would be possible implying a crisis. Crisis is the forcible establishment of unity between elements which have become independent and the enforced separation from one another of elements which are essentially one.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 143-144)

“The difficulty of converting the commodity into money, of selling it, only arises from the fact that the commodities must be turned into money but the money need not be immediately turned into commodity, and therefore *sale* and *purchase* can be separated. We have said that this *form* contains the *possibility* of crisis, that is to say, the possibility that elements which are correlated, which are inseparable, are separated and consequently are forcibly reunited, their coherence is violently asserted against their mutual independence. *Crisis* is nothing but the forcible assertion of the unity of phases of the production process which have become independent of each other.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 139-140)

<sup>84</sup> “Compensation of a fall in the rate of profit by a rise in the mass of profit applies only to the total social capital and to the big, firmly placed capitalists.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 255)

<sup>85</sup> We can note that Marx spoke of the mass of growth in profit in the previous quotation, while absolute overaccumulation supposes a marginal profit equal to zero or even negative.

<sup>86</sup> The loss can also be the result of a strategy aimed to lower prices in order to hold off competition. Cf. devalorization/depreciation.

acceleration in bankruptcies<sup>87</sup>. New company start-ups are fewer. The consequence is lower revenue, less “dormant values” to convert into capital. Equally, there is less surplus value either from credit or accumulation in the new shoots and the sprouts of old capital accumulating in new fields. The relation between active and fixed capital is less favourable than previously. The profitability of fresh capital falls and that of employed capital too<sup>88</sup>. At the same time, in as much as the fresh capital starts up, it competes with old capital and pushes the latter into inaction or partial withdrawal.

Immobilized capital left dormant or let to go to waste does not produce commodities which allow capital both to valorize, obtaining a profit, and to reproduce as advanced capital. As a consequence, the use values that can be used in this double function are not created, value is lost and has to be subtracted from the already existing surplus value and capital. Companies whose losses have been compensated for by profits, or whose losses have been limited and temporary, or even those whose firm standing allows them to absorb losses<sup>89</sup> nevertheless maintain their productive base with a view to regaining their place on the market (this is in any case one of the criteria that was used to guide their policy when they were hit by the crisis<sup>90</sup>).

This is the aspect of capital left dormant which we have called devalorization/disaccumulation. On the one hand, the basis of capital shrinks and absorbs the fall in the rate of profit. On the other, this basis is affirmed.

### 2.9.3 Devalorization/destruction

As we saw during the analysis of the different meanings of the term devalorization, the effects of the immobilization of capital also cause the destruction of use values. Not only does existing capital fail to reproduce, but disappears altogether due to deterioration of use values (perishable goods, obsolete goods, abandoned building sites, scrapped fixed capital etc.). The exchange value is lost with the destruction of the use value. Capital is thus devalorized. This destruction also reduces its basis. The material props of valorization are destroyed or left unfinished.

### 2.9.4 Devalorization/depreciation

Marx also stressed that the main form and the most acute moment of devalorization is what we call devalorization/depreciation. The fall in prices takes several forms, and a ruinous fall in prices hits “capital in as much it maintains the character of values, that is the value of capitals”. General devalorization/depreciation leads to a fall in the general level of prices so as to compensate for the opposite movement of value following the deterioration of the relation of exploitation and the relative or absolute fall in surplus value.

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<sup>87</sup> There are situations contemplated in the following quotation: “This would extend partly to the material substance of capital, i.e., a part of the means of production, of fixed and circulating capital, would not operate, not act as capital; some of the operating establishments would then be brought to a standstill.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 252)

<sup>88</sup> “In reality, it would appear that a portion of the capital would lie completely or partially idle (because it would have to crowd out some of the active capital before it could expand its own value), and the other portion would produce values at a lower rate of profit.” (Capital Vol. III, Collected Works Vol. 37, p. 250)

<sup>89</sup> The loss, which in fact results from the worsening of the ratio active/fixed capital, should not be considered as a system of communicating vessels where one company’s losses are another company’s profits. This is the Boccara’s representation, and it is a falsification which wraps up his concept of devalorization. (See below for our criticism of Boccara)

<sup>90</sup> “The portion of  $\Delta C$  which is in new hands would seek to assume a place for itself at the expense of the old capital, and would accomplish this in part by forcing a portion of the old capital to lie idle. It would compel old capital to give up its old place and withdraw to join completely or partially unemployed additional capital.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 251)

We have seen that the increasingly fierce competition engendered by the fall in the rate of profit and the slump in business that follows, forces capitalists to lower their prices to limit losses by saving the capital leading to abandoning all or part of the surplus value to prevent new competitors from taking hold and running older ones into the ground. The division between sale and purchase allows the crisis to appear. The crisis therefore originates in the financial and commercial sphere, where money is made available to industrial capitalists<sup>91</sup>. This fall immediately acts on the relations between capitalists and between industrial capitalists and merchant capitalists at the level of wholesale prices.

We can very soon grasp the political interest that lies behind picking on “finance capital” as the scapegoat for the crisis. This criticism only looks at the parasitic dimensions of capital and not at the very heart of capitalist production, the production of the maximum surplus value. The exploitation of the proletariat is left out. Not only is this aspect, which lies at the basis of capitalist production, not criticized, but it is even defended against “finance capital” and “fictitious capital” the supposed agents of wasting and diverting capital from accumulation in the sphere of surplus value production. Consequently the “bad capital” of fictitious capital and financial capital is countered by “good capital”, which produces surplus value, that must be developed, increased and rationalized, in short, we must push ahead still further and still faster with the production of relative surplus value, the guarantee for the existence and prosperity of the middle classes, the supporters of petit-bourgeois socialism. This class of economists imagines that the wheat can be separated from the chaff and that banks could be useful for something other<sup>92</sup> than that of ensuring a transition towards a non-mercantile economy<sup>93</sup>.

<sup>91</sup> “Owing to the immense elasticity of the reproduction process, which may always be pushed beyond any given bounds, it does not encounter any obstacle in production itself, or at best a very elastic one. Aside from the separation of C – M and M - C, which follows from the nature of the commodities, a fictitious demand is then created. In spite of its independent status, the movement of merchant’s capital is never more than the movement of industrial capital within the sphere of circulation. But by virtue of its independent status it moves, within certain limits, independently of the bounds of the reproduction process and thereby even drives the latter beyond its bounds. This internal dependence and external independence push merchant’s capital to a point where the internal connection is violently restored through a crisis.

Hence the phenomenon that crises do not come to the surface, do not break out, in the retail business first, which deals with direct consumption, but in the sphere of wholesale trade, and of banking, which places the money capital of society at the disposal of the former.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 303)

“(…) in a general crisis of overproduction the contradiction is not between different types of productive capital, but between industrial and loan capital, between capital as it is directly involved in the production process and capital as it appears as money independently (*relativement*) outside that process.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 340)

“In crises - *after* the moment of panic - at the time when industry lies stagnant, money is fixed in the hands of BANKERS, BILL-BROKERS, etc., and pants after a FIELD OF EMPLOYMENT in which it can be utilised as capital as the hart pants after the water brooks.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p. 10)

<sup>92</sup> When François Chesnais in his book on “illegitimate debts”, a concept which stinks of the petit bourgeois a mile off, asks: “Do we need banks in their present form?” The question already holds the answer.

The question is to therefore to change their form while maintaining the institution. They have to be changed by confining them, no less, to the “social” financing of the economy, that is, allowing for the accumulation and realization of surplus value, allowing growth without the undesirable effects of the overexpansion of fictitious capital. This boils down to leaving capitalist production relations untouched. This would be to promote a more or less state run capitalism, a capitalism where banking capital would be state run.



Reified thought willingly takes one of the forms of surplus value for surplus value itself, which allows it to hypostatize this form to better mask the overall process. The rhetoric is always the same. The aim of capitalist production, the inherent nature of capital, is to produce a maximum surplus value. For vulgar thought, external agents, the representatives of a component of surplus value, control exploitation. One of the forms of surplus value has grown so much that it can force the other actors, the representatives of the other forms of surplus value, above all industrial capital, to take action against wage workers. It is not a masonic lodge united against the proletariat in order to obtain the maximum surplus value so then to fight over sharing out the gains, but an induced exploitation conceived of as the worsening of a situation resulting from the excess of one fraction.

We can see the procession towards a more reformist or more opportunist position as it may be. An example is the barbed remarks made by François Chesnais directed at one of the representatives of anti-globalization, in this case Dominique Plihon, another prophet of “finance for society” who talks about restructuring the debt, a term that is sufficiently loose to cover a whole range of policies, including the most classical ones imposed by imperialism.

<sup>93</sup> By pushing centralization to its peak, by using existing networks (physical and electronic: tills, transfers, credit cards, electronic cash, so many material bases and, we can add, tomorrow the smart phone and other RFID chips), in order to provide a modern form of labour vouchers to allow for the allocation of part of the social product to be used in individual consumption in the lower phase of communism, using the methods of social accountancy they tend to create (management of bank accounts), capital already has in the form of shareholdings the handling of credit that enables the regrouping of small enterprises and putting an end to the enterprise economy, etc.

“[The credit system] that is in itself, on the one hand, an immanent form of the capitalist mode of production, and, on the other, a driving force in its development to its highest and ultimate form.

The banking system, so far as its formal organization and centralization is concerned, is the most artificial and most developed product turned out by the capitalist mode of production. (...) This accounts for the immense power of an institution such as the Bank of England over commerce and industry, although their actual movements remain completely beyond its province and it is passive toward them. The banking system possesses indeed the form of universal book-keeping and distribution of the means of production on a social scale, but solely the form. (...) But at the same time, banking and credit thus become the most potent means of driving capitalist production beyond its own limits, and one of the most effective vehicles of crises and swindle.

The banking system shows, furthermore, by substituting various forms of circulating credit in place of money, that money is in reality nothing but a particular expression of the social character of labour and its products, which, however, as antithetical to the basis of private production, must always appear in the last analysis as a thing, a special commodity, alongside other commodities.

Finally, there is no doubt that the credit system will serve as a powerful lever during the transition from the capitalist mode of production to the mode of production of associated labour, but only as one element in connection with the other great organic revolutions of the mode of production itself. On the other hand, the illusions concerning the miraculous powers of the credit and banking system, in the socialist sense, arise from a complete lack of familiarity with the capitalist mode of production and the credit system as one of its forms. As soon as the means of production cease being transformed into capital (which also includes the abolition of private property in land), credit as such no longer has any meaning. This, incidentally, was even understood by the followers of Saint-Simon. On the other hand, as long as the capitalist mode of production continues to exist, interest-bearing capital, as one of its forms, also continues to exist and constitutes in fact the basis of its credit system. Only that sensational writer, Proudhon, who wanted to perpetuate commodity production and abolish money, was capable of dreaming up the monstrous *crédit gratuit*, the ostensible realization of the pious wish of the petit-bourgeois estate. This sort of thing is the natural territory of all the windbags and makers of empty projects.” (Marx, Capital Vol. III, Complete Works Vol. 37, pp. 601-603. The last sentence is omitted, but can be found in Marx’s Economic Manuscripts 1864-1865, Haymarket Books, 2017, p. 710)

The antiglobalizationists call it financial capital<sup>94</sup>. By requiring high returns for their own funds in order to “create shareholder value”, finance capital pushes businesses to make short-term profits and “stock market dismissals”, all the while diverting capital from accumulation in the sphere of surplus value production.

When the guilty party is not finance capitalists, interest or seizing of surplus value in relation to transactions in fictitious capital, it is down to commercial capitalist or landowners with rent and real estate speculation<sup>95</sup>. When it is not rent and real estate, it is monopoly super profits. Stalinists went masters of this rhetoric. When they turn to small and medium sized businesses, we find their utter rubbishes. In his criticism of the French Communist Party (PCF) and its theory of State Monopoly Capitalism Jacques Valieroffers an abundant harvest. So too in a book written by Claude Quin, lately Chairman of RATP (Paris Public Transport Authority), we can read that small and medium sized businesses are only a “link in the chain of monopolist exploitation”. Claude Quin goes as far as saying that monopolies “oblige them to turn against their own employees.”

In general, small industrial capital is absolved (the guilty party is monopoly capitalist) as is the state. The latter is acquitted as it is the source of good in reformist thought and also pays Professors of Political Economy their salaries. It is the liberal press that takes on the criticism of the state, or even the trade union monopoly which pushes up wages, “Seeing that the level of the marginal rate is far too low in absolute value, and also because the rise in social security contributions and wages add up to further lowering this rate, and finally because companies have no other solution than to increase productivity to solve the problem, which means an increase in unemployment, there is an increasingly important role of capital to the detriment of employment, along with an increase in the requirements made on employees (thus their stress). Companies are stuck for ever in a vicious cycle where the high level of production costs (taxes and extra charges) hinder their dynamism and their ability to hire workers, where the only possible remedy is to increase the rate of productivity which is clearly limited and provokes a negative reaction from the employees.” (IFRAP, Bernard Nouel, Pour l’emploi, améliorer le taux de marge des entreprises.)

Seeing that competition for a share of the surplus value is hotting up, forcing capitalist companies to better realize the nature of capital, something leaves the petit bourgeois economist perplexed. Capitalists act according to their nature to the extent that they can enforce their right to what

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<sup>94</sup> This concept requires a host of definitions. Our apostles of petit bourgeois socialism do not generally use it in Marx’s way, but instead we should say in the Leninist meaning. Otherwise, we enter a realm of conceptual creations where confusion vies with inexactness.

<sup>95</sup> “Among the counter-revolutionary perspectives delineated for the proletariat, we can find this example from Rocard [a French socialist ed.] when he speaks of urban rent to complain that “part of the fruit of collective activity” (gibberish meaning surplus value) is sucked off in the form of rent, thereby depriving the capitalists of the super profit, which could have been used to satisfy some of the claims made by “waged workers” (a term which in Mr. Rocard’s language means an interclass mass ranging from proletarians to the middle classes). Our poor bosses who, despite all their good will, cannot make “concessions to the workers” because they, the bosses, have to maintain their rate of profit, which is already very low, by the way. Somehow, the class struggle does not come from the fact that capital exploits labour, but that landed property hinders the realization of the harmony of their interests. Anxious to rationalize the capital, and to optimize the capitalist exploitation, according to the methods learned at the ENA [a training college for senior civil servants – ed.] and during the evening courses run by the socialist party, Mr. Rocard therefore pushes for a class collaboration policy in which the proletariat, united with the middle classes, will ally with industrial capital against the landowners.” (*La question agraire, Communisme ou Civilisation. The agrarian question*, in French. Available on our website.)

their economic and social position permits, and, in this case, this is in line with the historical task set by the capitalist mode of production. Not only can they do what they do, but to a certain extent that have to<sup>96</sup>. This is no way should mask the fact that the origin of this surplus value lies in the exploitation of labour power.

The petit-bourgeois critique concentrates on certain forms, the more parasitic forms, the more visibly parasitic forms, we should say, so as to better mask and preserve wage slavery and leave the capitalist mode of production untouched<sup>97</sup>.

The more solid businesses are more likely to pull out of business than others. On the one hand, during bankruptcies and reorganizations, the auctioning of means of production or consumption can become their depreciation and buyers may profit. What is a loss for the bankrupt or for still active businesses during reorganization, can be a profit for those who buy the commodities at knocked down prices. Seeing that the fall in prices at the suppliers are passed on (or even

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<sup>96</sup> “Except as personified capital, the capitalist has no historical value, and no right to that historical existence (...) And so far only is a necessity for his own transitory existence implied in the transitory necessity for the capitalist mode of production. But, so far as he is personified capital, it is not values in use and the enjoyment of them, but exchange value and its augmentation that spur him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production’s sake, he thus forces the development of the productive powers of society, and creates those material conditions, which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle. Only as personified capital is the capitalist respectable. As such, he shares with the miser the passion for wealth as wealth. But that which in the miser is mere idiosyncrasy, is, in the capitalist, the effect of the social mechanism, of which he is but one of the wheels.” (Marx, Capital Vol. I, Collected Works Vol. 35, pp. 587-588)

“Whence the housing shortage then? (...) it cannot fail to be present in a society in which the great labouring masses are exclusively dependent upon wages, that is to say, upon the quantity of means of subsistence necessary for their existence and for the propagation of their kind; in which improvements of the machinery, etc., continually throw masses of workers out of employment; in which violent and regularly recurring industrial fluctuations determine on the one hand the existence of a large reserve army of unemployed workers, and on the other hand drive the mass of workers from time to time on to the streets unemployed; in which the workers are crowded together in masses in the big towns at a quicker rate than dwellings come into existence for them under the prevailing conditions, in which, therefore, there must always be tenants even for the most infamous pigsties; and in which finally the house-owner in his capacity as capitalist, has not the right but, by reason of competition, to a certain extent also the duty of ruthlessly making as much out of his property in house rent as he possibly can.” (Engels, The Housing Question, Collected Works Vol. 23, pp. 340-341)

<sup>97</sup> “They are fine questions, by the way, with which our Proudhonist threatens us: *Credit!* What credit does the worker need besides that from week to week, or the credit he obtains at the pawnshop? Whether he gets this credit free or at interest, even at the usurious interest charged by the pawnshop, how much difference does that make to him? And if he did, generally speaking, obtain some advantage from it, that is to say, if the cost of production of labour power were reduced, would not the price of labour power be bound to fall? – But to the bourgeois, and in particular to the petit bourgeois, credit is an important matter, and it would be a very fine thing for the petit bourgeois in particular if credit could be obtained at any time, and besides without payment of interest. “State debts!” The working class knows that it did not make them, and when it comes to power it will leave the payment of them to those who contracted them. “Private debts!” – see credit. “Taxes!” A matter that interests the bourgeoisie very much but the worker only very little. What the worker pays in taxes goes in the long run into the cost of production of labour power and must therefore be compensated for by the capitalist. All these things which are held up to us as highly important questions for the working class are in reality of essential interest only to the bourgeois, and still more so to the petty bourgeois, and, despite Proudhon, we maintain that the working class is not called upon to safeguard the interest of these classes.” (Engels, The Housing Question, Collected Works Vol. 23, p. 336)

increased, if depreciation is generalized) or not to customers, the beneficiary business will make a profit from this lowering. If it is itself sucked into the deflationary spiral, it may encounter a fall in the rate of profit and even losses despite the advantages offered by the fall in prices of its suppliers. Furthermore, these price falls and their fluctuations themselves unsettle business and disturb the production and circulation process, thereby causing an effect opposite to the expected one, which harms the reproduction of capital. A deflationary spiral hinders the recovery of a situation favouring the picking up of accumulation. On an international level, these phenomena can be heightened by currency competition, while protectionist tendencies arise aimed at preserving the mass of surplus value to the relative detriment of its rate.

Marx's teaching example does not include the effect of a return of an increase in potential value of constant capital and, consequently, surplus value stays a priori positive. The rate of exploitation has to fall to zero if all surplus value is to be lost. But if we reintroduce the valorization/devalorization process (2<sup>nd</sup> meaning) this does not happen. The prospect of having to devalorize capital further than the whole of the surplus value becomes possible because constant capital itself, which plays an increasing role in the composition of the social product, tends to revalorize due to the turnaround in labour productivity.

On the level of fictitious capital (shares and bonds), the same takes place, the price falls being relatively greater. They are in proportion to their artificial rise during the period of expansion and super speculation preceding the explosion of the crisis. By now credit has dried up and this worsens the general crisis in all spheres, such that fictitious capital (swindling) emerges within healthy business and takes credit away from it for operations, urged on by a headlong rush linked to credit and super credit. Crisis allows for the centralization of real capital and favours the centralization of fictitious capital even more so.

### 2.9.5 Dynamic of recovery

At first capital falls idle. Then companies react, if they have not already taken measures to do so. They sack workers and profit from the crisis to push through plans, even using the crisis as a pretext, to reorganize the company, previously put off to avoid reaction by the employees. Consequently, a more productive material basis arises. The scrapping of obsolete means of production or abandoning outdated techniques, the discontinuation of less profitable lines of activity and the improvement of productivity in others, savings and rationalization: these all prepare the company for a new setup and improve the productive edge over competitors, allowing for a new leap in the productive force of labour that helps the reestablishment, if not the improvement, in the rate of exploitation and the production of surplus value<sup>98</sup>.

The devalorization of capital by selling off depreciated capital and the destruction of use values can contribute to this framework of reorganization.

The labour force too, as we have seen, sees its price fall following the growth of the industrial reserve army. These wage cuts help the recovery.

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<sup>98</sup> "On the one hand, the fall in prices and the competitive struggle would have driven every capitalist to lower the individual value of his total product below its general value by means of new machines, new and improved working methods, new combinations, i.e., to increase the productive power of a given quantity of labour, to lower the proportion of variable to constant capital, and thereby to release some labourers; in short, to create an artificial overpopulation." (Marx, Capital Vol III, Collected Works Vol. 37, p. 254)  
We will note again that Marx reintroduces here the progress of the productive power of labour, which had been explicitly set aside to stage absolute overaccumulation.

## 2.9.6 Conclusion

To conclude we can make some statements about the nature of the crisis of overaccumulation, of the general overproduction of capital:

1. It is a general, not a partial crisis. It is general not only in its extension, in that it hits every sphere of society, but because it hits all the components of social capital<sup>99</sup> and not just a part of them (totality or part of surplus value, for example).
2. It is a crisis of overproduction, typical of the most highly developed and most modern bourgeois society. There is a general overproduction of capital starting from a sudden turnaround in the rate of exploitation, which implies, in the framework of the most developed capitalist mode of production, a sudden downturn in labour productivity.
3. The crisis originates in the production process, but breaks out in the sphere of circulation. The crisis develops in this sphere due to the possibility of separating sale from purchase of commodities. The possibility that generates the crisis lies in the money form, the function of money as the means of payment. The conditions for the production and the realization of value and of surplus value are not identical. The crisis wells up from the production process and explodes on the surface of society. The necessity and possibility of a crisis are reunited.
4. These crises are periodical. They are not permanent crises. They appear drastically and suddenly. They devastate society like a natural disaster, but they are not natural, having a social nature<sup>100</sup>.
5. Overaccumulation and devalorization, destruction of capital all maintain a dialectical and organic connection and not a mechanical or logical one.
6. The repetition of crises with their ever-deepening tendency illustrates the tendency for the rate of profit to fall. It is therefore not just one cycle or a long wave, like the one suggested by Kondratiev, but the evolution of the capitalist relation in a given place at a given time.
7. These crises express the revolt of the productive forces against the limits of the relations of capitalist production, whose limited aim lies in the quest for maximum surplus value, which enter into contradiction with the development of the productive force of labour it causes to arise. They call for the overthrow of capital and the political domination of the

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<sup>99</sup> "As soon as all the surplus labour it was possible to squeeze out has been objectified in commodities, surplus value has been produced. But the production of surplus value completes but the first act of the capitalist process of production- the direct production process. Capital has absorbed so and so much unpaid labour. With the development of the process, which expresses itself in a drop in the rate of profit, the mass of surplus value thus produced swells to immense dimensions. Now comes the second act of the process. The entire mass of commodities, i.e., the total product, including the portion which replaces the constant and variable capital, and that representing surplus value, must be sold. If this is not done, or done only in part, or only at prices below the prices of production, the labourer has been indeed exploited, but his exploitation is not realized as such for the capitalist, and this can be bound up with a total or partial failure to realize the surplus value pressed out of him, indeed even with the partial or total loss of the capital." (Marx, Capital Vol. III, Collected Works Vol 37, pp. 242-243)

<sup>100</sup> "Hence the highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer, and a most straightened exhaustion of his vital powers.

These contradictions lead to explosions, cataclysms, crises, in which by momentaneous suspension of labour and annihilation of a great proportion of capital the latter is violently reduced to the point that it can go on fully employing the productive powers without committing suicide. Yet these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow." (1857-1858 Manuscripts, Grundrisse, Collected Works, Vol 29, p. 134)

proletariat in the form of a revolutionary dictatorship in order to install a higher form of social organization; communism<sup>101</sup>.

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<sup>101</sup> “The growing discordance between the productive development of society and the relations of production hitherto characteristic of it, is expressed in acute contradiction, crises, convulsions. The violent destruction of capital as the condition for its self-preservation, and not because of external circumstances, is the most striking form in which it is ADVISED TO BE GONE AND TO GIVE ROOM TO A HIGHER STATE OF SOCIAL PRODUCTION.” (1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, p.134)

### 3. Vulgar Marxism and Overaccumulation

We shall now see how the representatives of vulgar Marxism set about deforming the theory of overaccumulation. We shall do this quickly, seeing that we have already provided a long refutation of them elsewhere when dealing with the points of view developed by Grossmann/Mattick that have influenced the ultra-left, now in total decay. We shall continue with Paul Boccara, whose theories play a notable role in the history of the PCF (French Communist Party) and finally we shall deal with the theories of Marcel Roelandts, an ecumenical emblem of academic Marxism, because he tries to stick together contradictory tendencies. These are just some of many tendencies aiming to stifle Marx's theory.

#### 3.1 Grossman/Mattick

The framework of Marx's exposition of absolute overaccumulation has always drawn enthusiasts. We have stressed the teaching dimension of Marx's hypotheses (but which echoes a bygone period of capitalist production), chosen to set aside the valorization/devalorization process.

Among those who moan about this, we can find Paul Mattick, who states:

"In order to illustrate the concept of accumulation Marx took recourse to a further, not particularly well-chosen example. (...) It was this state of affairs that Marx wanted to emphasize, although his example was doubly unfortunate, as it contradicts not only all experience but also his [Marx's – ed.] own theory of accumulation itself." (Mattick, Economic crisis and crisis theory, Chapter 2, Marx's crisis theory, <https://www.marxists.org/archive/mattick-paul/crisis/ch=02.htm>)

We have shown that this was not the case. Even if we have used his drafts, there is an underlying coherence in the example as long as we understand Marx's wish to simplify when making an exposition of the causes leading to overaccumulation.

Grossmann's theory, taken up by Mattick, after he has stripped it of several masks it hides behind, is particularly vulgar. It starts with the idea that accumulation is to be related with already advanced capital, and not with the surplus value produced, and that this accumulation is realized based on a falling marginal rate of profit.

For example, let us suppose that the value of production is divided into

$100\ c + 100\ v + 100\ sv$  ( $c$  = constant capital,  $v$  = variable capital, and  $sv$  = surplus value)

If the requirements of accumulation<sup>102</sup> rise to  $50\ c + 25\ v$ <sup>103</sup>, the capitalist class has the remaining  $25\ sv$  to consume.

In the next period, we therefore obtain the following:

$150\ c + 125\ v + 130\ sv$ <sup>104</sup>

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<sup>102</sup> One of the bases of Grossmann's intellectual swindle lies in the absurd extrapolation.

<sup>103</sup> In this example, the marginal organic composition ( $\Delta c/\Delta v$ ) doubles, leaving aside fixed capital whose turnover is supposed to be unity (1).

<sup>104</sup> The rate of surplus value has risen, but the rate of profit has fallen. The rate of accumulation has increased.

The requirement of accumulation therefore becomes<sup>105</sup> for example 90 c + 30 v, and only 10 sv remains for the capitalist class to consume. Thus, at a certain moment, the consumption of the capitalist class diminishes to deal with the growing needs of accumulation.

In the next period, we have a social product equal to:

$$240\text{ c} + 155\text{ v} + 175\text{ sv}^{106}$$

Thus the needs of accumulation, determined according to Grossmann's logic, that is to say, making a relation between the accumulated surplus value and the amount of existing capital, require, for example, an additional constant capital of 150 c and a variable capital of 40 v, and so the surplus value becomes insufficient.

In fact, a surplus value of 175 is available, while the (imaginary) requirement to finance accumulation is 190 (150 + 40). So here, according to Grossmann, the crisis breaks out.

In fact, he creates an imaginary disproportion which translates into the unemployed means of production accumulated a total c of 150, while the non-accumulation of the total v (40) leaves the labour force on the dole (15 v, that is 190 – 175).

Grossmann's scheme is not so shoddy, because the hoax would be too obvious. Grossmann takes recourse to numerous artifices to hide his villainy<sup>107</sup>, but the basis of the theory is there in all its vulgarity.

It is therefore a Ricardian variant of the fall in the rate of profit. The rise in wages and rent, which reduces the rate of profit like the incredible shrinking man, is substituted by Grossman/Mattick with the autonomous rise, unconnected to surplus value, the organic composition and the rate of accumulation. All this takes place in a disproportion (that is, there is an excess of capital on the one hand, but an insufficiency on the other), which, furthermore, means this disproportion is an artificial or imaginary one.

Grossmann makes clear the distinction between the tendential fall in the rate of profit and the rate of profit characterizing overaccumulation<sup>108</sup>, but he can only explain it by using a Ricardian theory.

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<sup>105</sup> We are hurrying through the argument to arrive at Grossmann's result quickly.

<sup>106</sup> The rate of surplus value continues to rise, while the rate of profit continues to fall. The rate of accumulation nears 100%. Here we can clearly see Grossmann falsifies Marx by pretending that the rise in the rate of accumulation is the corollary to the fall in the rate of profit.

<sup>107</sup> See a detailed critique in our text "La théorie marxiste des crises." (<http://www.robingoodfellow.info>)

<sup>108</sup> "This fall in the rate of profit during the stage of overaccumulation is, however, quite different from the fall in the rate of profit at the initial stages of the accumulation of capital. The fall in the *rate of profit*, as such, is a permanent symptom of the progress of accumulation through all its stages, although at the initial stages of accumulation it is accompanied by a *growing mass of profit*, growth in the consumption of the capitalist class of certain  $k$  parts. (Leaving aside here the parts of surplus value destined for accumulation,  $a_c$  and  $a_v$ )."" (Grossmann, Law of Capitalist Accumulation and Breakdown, Chapter 2, The Law of Capitalist Breakdown, Section 7: The Marxist Theory of Accumulation and Breakdown.



## 3.2 Paul Boccara and the PCF

### 3.2.1 A new genius in the firmament of thought

Just as Keynes thought that with his “general theory” he had become the new Einstein of political economy, Paul Boccara thinks he is the Newton of classical Marxism. Paul Boccara, one of the main theoreticians in his time of state monopoly capitalism and the PCF, proclaimed in a documentary on himself, “I am standing on the shoulders of a giant [Marx, we presume – ed.] and so I can see further than he could”<sup>109</sup>. However, we might fear that, on losing his balance when standing on the shoulders, he could see no further than the feet, if not the backside, of the giant in question.

He crops up again as an inspiration for the ultra-left<sup>110</sup> with his analysis of the informatics revolution<sup>111</sup>, of regulation<sup>112</sup>, of the role of the middle classes<sup>113</sup> or of the crisis. If Stalinism is in the case of Grossman and Boccara the theoretical source the ultra-left draws from, it is worrying because of its capacity to be nothing other than an appendix to socialdemocracy.

### 3.2.2 The theory of state monopoly capitalism (SMC) in its context

In the PCF, the SMC theory is presented as an attempt to break free from the Stalinist dogma by abandoning any reference to Leninism (democratic centralism, the vanguard party, the dictatorship of the proletariat) to enable it to return to the fold of socialdemocracy from which it had long since ceased to be distinct. Marxism-Leninism was officially dropped at the XXIII Congress of the PCF in 1978. This did not pass without resistance, and when Boccara sought to “develop” Marx’s theory, his opponents complained of revisionism (most notably Henri Claude [1909-1994], one of the founders of the review ‘Economie et Politique’<sup>114</sup>. Boccara, [1932-2017], started to develop his theses at the beginning of the 1960s<sup>115</sup>. The debate in the PCF was around

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<sup>109</sup> Quoted by Samuel Dixneuf (<http://blogs.mediapart.fr/blog/samuel-dixneuf/160110/les-derniers-rayons-de-paul-boccara>)

<sup>110</sup> Cf. The texts on the analysis of the industrial revolution on our site <http://www.robingoodfellow.info>

<sup>111</sup> “Starting from Marx’s analysis of the replacement of manual labour by machine tools and the tendency to use automatic machines, with the use of science, we can go on to the analysis of the replacement of certain functions of the brain as in computers. This will end up with the predominance of information, such as research, with a possible sharing worldwide. This is opposed to the characteristics of the machine which does not share anything, but is found here and there as the basis of capitalist private property of the means of production, property that lasts with the monopolization of information by financial capital.” (Paul Boccara, *Actualités et dépassements de Marx*, <http://www.gebrielperi.fr/Actualite-et-depassements-de-Marx>.)

<sup>112</sup> “A capital, according to Marx, is not the simple private property of the means of production, as in slave society, but property taking the form of money bringing in money, for a profitability, its rate of profit, in relation to wage labour and credit. And The Capital studies essentially this regulation, not property, as the heart of the system.” (Paul Boccara, *op. cit.*)

<sup>113</sup> “The concepts of Marx on the generalization of wage labour and exploitation in the capitalist system is verified with waged labour in the whole world, including women and in all activities...” “Continuing from analyses of the working class and the proletariat and also material on other social groups, domination of women or even peoples, we can go on to analyse possible present day convergences of struggles and aspirations of all categories of wage workers, of women and young people and old people, of all peoples and immigrant or culturally intermixed populations too.” (Paul Boccara. *op. cit.*)

<sup>114</sup> “Henri Claude and the origins of the economic section” Claude Willard, *Cahiers d’histoire*, n. 62, [http://constel07.u.bourgogne.fr8080/sdx/sdx/apiurl/getatt?app=org.pleade.test&base=fa&id=FRMSH021\\_0008\\_de\\_1420-image-35218](http://constel07.u.bourgogne.fr8080/sdx/sdx/apiurl/getatt?app=org.pleade.test&base=fa&id=FRMSH021_0008_de_1420-image-35218)

<sup>115</sup> “On November 15th 1967 at the Mutualité I noted the beginning of the crisis of state monopoly capitalism (SMC). This came after the International Conference at Choisy-le-Roi in May 1966 on the

a clash between the economists and other intellectuals (philosophers including Althusser<sup>116</sup>, sociologists etc.) who fought against the SMC theory and above all its underlying concept of the State.

Nevertheless, the theory was accepted, “adopted”, by the PCF because it was to be used as the theoretical basis of the left’s common programme<sup>117</sup>. It was therefore popularized by the leadership of the party and gained great influence, not only in the ranks of the PCF, but in the socialist party (PS) too<sup>118</sup>. It led to debates, which were comical on a theoretical level, but were of major importance for the nationalization policy and the relations between the PCF and the PS on how to decide, on passing the threshold of nationalization, how it would be possible to envisage leaving “the anteroom of socialism”<sup>119</sup> in the hope of rapidly occupying the centre of the apparatus. Initially set at 25 groups, the threshold of nationalizations was reduced to nine during the discussions of the common programme. Then, after the agreement was signed, the number would increase, but following the break-up of the union of the left in 1977, it was used as a pretext to reject an electoral agreement for the general elections in 1978. In 1981, while the PCF was in power with the socialists, the theory was filed away on the party shelf. Boccara now complains about the structuralist deformations of his theory. We, however, are going to show, by going back to the source, that the theory of overaccumulation/devalorization presented by Paul Boccara is a shameless falsification of Marx’s theory.

### 3.2.3 Overaccumulation made easy

The representation presented by the PCF with the ‘Traité marxiste d’économie politique’ [Marxist Textbook of Political Economy] dedicated to SMC, as well as that of Paul Boccara, the main

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theory of SMC, itself after the shock of the XX Congress at Khrushchev’s secret report. Hence my return to Marx, unfinished Marx, in opposition to the Marxist-Leninist dogma in my articles in 1961 on ‘The Capital.’ (Paul Boccara, <http://www.gauchemip.org/spip.php?article6540>)

<sup>116</sup> “(...) in “What cannot continue to go on in the Communist Party” where, concerning “Marxist theory” in the PCF, he [Althusser] only spoke of “the theory”, so called, of SMC, the French version (adorned with Boccarian considerations on overaccumulation-devalorization of capital) of the Soviet theory ... produced according to our leadership”! (Le Monde 27/04/78). Boccara, <http://www.gauchemip.org/spip.php?article6540>. Althusser is alluding to the notion that SMC was introduced in the PCF through the translation of economic studies published in the USSR.

<sup>117</sup> “The SMC theory became the official theory of the PCF because it could be used as the theoretical basis of the strategy of the Common Programme”, “The strategy of the Common Programme seemed to be in line with theoretical work on SMC. I remember courses in the PCF central schools where the central role of the state was highlighted in the mechanism of “overaccumulation/devalorization” and that of the Common Programme, breaking with this mechanism through nationalizations and planning, allowing advances to be made in democracy as an “anteroom” to socialism. The coherence of the project and the dynamism of the union brought a multitude of new collaborations to the Economic Section. The state centrism of the initiative certainly favoured its political instrumentalisation: we can recall the adventure of “calculations” for accounting the exact number of subsidiaries to nationalize to reach the “threshold” of change...” Francette Lazard, ex-member of the Political Office, quoted by Jean Lojkine, [http://www.gabrielperi.fr/IMG/pdf/Jean\\_Lojkine\\_PC\\_CME\\_et\\_autogestion.pdf](http://www.gabrielperi.fr/IMG/pdf/Jean_Lojkine_PC_CME_et_autogestion.pdf)

<sup>118</sup> Hugues Portelli, political expert, commentator on Gramsci, transferred from Ceres [left socialist educational research body] to become a Rocard [left socialist] supporter, before becoming an UMP [Centre Right, ex-Gaullist party] Senator, “the readoption in fact [by the PS] of the SMC theory, and of the strategy of the anti-monopolist alliance. This reference was mirrored on the cultural level by dependence on the “Marxist” production of the PCF”. “French socialism as it is”, 1980. p. 153, quoted by Boccara, <http://gauchemip.org/spip.php?article6540>

<sup>119</sup> Formula recovered from Lenin who previously had taken it from Hilferding. But Lenin knew that if the proletariat wished to enter the drawing room, it would have to kick the door down and exert a revolutionary dictatorship over inputs and outputs.

architect of the theory, consists right from the start with the falsification of the definition of the concept of overaccumulation, just like Michel Husson's and Marcel Roelandts' theories<sup>120</sup>. However, Boccara is more subtle than the latter two in his attempt to take over the theory.

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<sup>120</sup> Tom Thomas, a Maoist wreck adrift on the sea of counterrevolution, also has his interpretation of overaccumulation (<http://www.demystification.fr/blog/la-suraccumulation-generalisee-%E2%80%A8du-capital/>). He does not define absolute overaccumulation by the fact that the marginal rate of profit is zero, even negative, but by the fact that surplus value is accumulated solely in the form of constant capital, so the marginal organic composition of capital is equal to infinity (no additional variable capital). The mass of surplus value produced falls because the number of productive workers falls (which implies not only that the surplus value accumulated is composed solely of constant capital, but also that the reproduction of existing capital is equally affected – as is always the case, but in as much that the organic composition of capital is defined, one can in the first analysis, act as if it was an evolution of the marginal organic composition. These dimensions, important as they are, have hardly ever been studied by the communist movement). This perspective supposes that one of the intrinsic limits of capital has been reached, meaning an absolute fall in the size of the productive class.

“The number of labourers employed by capital, hence the absolute mass of labour set in motion by it, and therefore the absolute mass of surplus labour absorbed by it, the mass of surplus value produced by it, and therefore the absolute mass of profit produced by it, *can*, consequently, increase, and increase progressively, in spite of the progressive drop in the rate of profit. And this not only *can* be so. Aside from temporary fluctuations it *must* be so, on the basis of capitalist production.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 216)

“At any rate, it is but a requirement of the capitalist mode of production that the number of wage workers should increase absolutely (...). A development of productive forces which would diminish the absolute number of labourers, i.e., enable the entire nation to accomplish its total production in a shorter time span, would cause a revolution, because it would put the bulk of the population out of the running. This is another manifestation of the specific barrier of capitalist production, showing also that capitalist production is by no means an absolute form for the development of the productive forces and for the creation of wealth, but rather at a certain point it comes into collision with this development.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp. 262-263)

This really is a radical way to cause overaccumulation! Logically, Tom Thomas deduces that is now chronic. In some ways Tom Thomas makes the same point as Claude Bitot, another adept of the decline of the productive class compensated for by the growth of the unproductive classes, whose vulgar conception of value leads him to unsustainable theoretical contradictions. ([http://membres.multimania.fr/resdisint/Arch\\_capit/010217RGFcri.htm](http://membres.multimania.fr/resdisint/Arch_capit/010217RGFcri.htm)). Since then Claude Bitot has abandoned Marxism in favour of a neo-Malthusian theory inspired by ecological arguments. Malthus, who provoked the ire of the English working class by defending the sinecures of the reactionary classes and vowing poverty, exploitation and celibacy on the proletariat still lags behind the modern neo-Malthusians who change the classic programme of Malthus by replacing the reactionary classes with the modern middle classes, adding in vegetarianism and walking to the obligations of the proletariat.

Without prejudice to his theory of value, if Tom Thomas's point of view is correct, we would see the swelling of fixed capital as part of the GDP. Now, the GDP had doubled since 1975 (the date considered by observers as the beginning of the decline of the working class in France), while the active population has increased greatly (more jobs were created in the 30 so-called bad years (1975-2005) than in the 30 preceding “glorious years”, but they are additional jobs typically part-time, insecure, temporary, interim, state aided and badly paid jobs taken by women with an educational level above the average). Allowing for the premises of the reasoning of Tom Thomas, we have to deduce that the jobs created are, as for Claude Bitot too, unproductive jobs. A reduced productive class has then to be able to produce, at least apparently, twice as much value (the fixed capital part has maintained a similar proportion) while still maintaining a growing unproductive class. In this case, we cannot see where the decline in surplus value would have taken place, and, at the same time, that of the rate of profit too.

Paul Boccara wrote that it is a matter of an “*excessive accumulation of capital (...) in relation to the limits to the total amount of surplus value or profit* that can be obtained to valorize capital” (Paul Boccara, *Etudes sur le capitalisme monopoliste d’Etat sa crise et son issue* [Studies on SMC, its crisis and outcome], Economie et politique, Editions sociales, p.42.)

Hence overaccumulation is seen as the same as excess accumulation and nothing fundamental is mentioned about the overproduction of capital, about the general crisis of a social relation; only something about a partial excess of capital. He also tends to make this excess take on a permanent character. In fact, for Boccara, this excess, the plethora of capital, to use a term adopted by Marx, is not the outcome of a sudden crisis, but has a chronic character. This chronic character leads on to playing down the cyclical and periodic dimension of crises to substitute it with a concept of the long cycle, the Kondratiev cycle<sup>121</sup>. The same goes for interaction (and specific characteristics) between the sudden fall in the rate of profit, the periodic crisis of overaccumulation, of overproduction of capital and the tendential fall in the rate of profit (inter cycles), which is similarly watered down. We are presented with a less abrupt version of the course of the capitalist mode of production based on a partial and quantitative definition.

Nevertheless, when he recalls that overaccumulation is clearly a synonym for overproduction, Boccara implicitly recognizes that his definition is insufficient<sup>122</sup>. However, the question is regularly dodged in order to make overaccumulation become a synonym for the partial and tendentially permanent excess of capital<sup>123</sup>.

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<sup>121</sup> “In this chapter, Marx applies his theory above all to the case of the cyclical crisis. But he also uses it for the perspective of the capitalist economy.” (Paul Boccara, *Etudes sur le capitalisme monopoliste d’Etat sa crise et son issue*, Economie et Politique, Editions sociales, p. 45).

This would be a new falsification of Marx’s theory obtained by mixing together in the same hazy text the tendential fall in the rate of profit and overaccumulation.

Forty years on and our man still has not given up: “On the economic level, there are not just periodical crisis every seven to twelve years, there are also longer lasting crises, crises of the capitalist system itself, because the type of technology has become too heavy and the type of social relations too hard. These are long lasting crises of overaccumulation of capitals, like the inter war one, or the present crisis.” Interview to L’Humanité, November 4<sup>th</sup> 2010, [http://www.humanite.fr/03\\_11\\_2010-paul-boccara-une-autre-civilisation-est-en-gestation-456987](http://www.humanite.fr/03_11_2010-paul-boccara-une-autre-civilisation-est-en-gestation-456987)

<sup>122</sup> “In the text remaining in draft form of chapter XV of Volume III of *Capital* Marx uses the expression *overaccumulation* (even if he more often uses that of overproduction of capital)” (Paul Boccara, *Etudes sur le capitalisme monopoliste d’Etat sa crise et son issue*, Economie et politique, Editions sociales, p. 44).

<sup>123</sup> “At this breaking point, three solutions can be thought of leading to discharging the excess” (Paul Boccara, *Etudes sur le capitalisme monopoliste d’Etat sa crise et son issue*, Economie et politique, Editions sociales, p. 43)

“We are beginning to know rather more widely among Marxists the principle of the explanation of state monopoly capitalism (and now its crisis too) known as what Marx called the “overaccumulation” of capital, or even “the excess of capital.” (Paul Boccara, *Etudes sur le capitalisme monopoliste d’Etat sa crise et son issue*, Economie et politique, Editions sociales, p. 295)

The Textbook of Marxist political economy, put together by a whole host of intellectuals from the economic section of the PCF, is more forthright: “The permanent excess of capital or the overaccumulation of capital causes both a tendency for the average rate of profit to fall and the shrinking of the market (of effective demand).” (*Traité marxiste d’économie politique – Le capitalisme monopoliste d’Etat*, Tome 1, p 155). We can see all the same in this passage that it is not the fall in the rate of profit that causes overaccumulation, but overaccumulation, the excess of capital, which causes the fall in the rate of profit. After two centuries, we revisit the idea of Adam Smith.

The same Textbook declares that “The expression of the tendency of the fall in the average rate of profit, the tendency of overaccumulation, is not a new phenomenon. It is constant in the capitalist mode of production. What is new, however, and is characteristic of state monopoly capitalism is the chronic and generalized phenomenon of overaccumulation. In the present period, all countries with economically

### 3.2.4 Excess of capital and overproduction

In a passage on overaccumulation, Marx criticizes the idea frequently held by economists that there is a “so-called plethora of capital”, an excess of capital which is not the temporary product of overproduction<sup>124</sup>.

For Marx, the overproduction of capital is not a permanent phenomenon<sup>125</sup>. This overproduction is at the same time one of the manifestations of the crisis and the way to drastically resolve the contradictions that led to this crisis<sup>126</sup>.

In other terms, when capital blocks, freezes and is immobilized, it becomes idle, left to waste, becomes dormant and lies fallow. Capital is excessive, capital is overaccumulated; there is the overproduction of capital. It is a sudden phenomenon calling for the reestablishment of the previously prevailing relations of exploitation to the extent that it derives from the crisis, and thus makes it temporary. It passes by absorbing the shock. Leaving capital to waste or fallow is a sudden devalorization of capital (and they are manifestations of the crisis too), occasional losses made by capital, contribute to reestablishing drastically an equilibrium leading to the ending of the crisis. During this period, society is devastated, as if hit by a natural disaster. However, only social reasons caused by the existence of capitalist production that can explain the catastrophe. For Marx, it is in this sense that the crisis is catastrophic and that therefore all general crises are catastrophic. Marxism is it therefore not the expectation of a SINGLE catastrophic crisis, a version of the apocalypse that opens the way for the redeeming proletariat to enter a new Jerusalem. It foresees instead that the repetition of crises and their tendency to deepen will push the proletariat to struggle for the seizure of political power in order to overthrow the rule of capital and its catastrophic course.

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developed capitalism have a society which suffers from an increasing excess of capital.” (Traité marxiste d’économie politique, Le capitalisme monopoliste d’Etat, Tome 1, pp. 36-37)

<sup>124</sup> “The so-called plethora of capital always applies essentially to a plethora of the capital for which the fall in the rate of profit is not compensated through the mass of profit – this is always true of newly developing fresh offshoots of capital – or to a plethora which places capitals incapable of action on their own at the disposal of the managers of large enterprises in the form of credit. This plethora of capital arises from the same causes as those which call forth relative overpopulation, and is, therefore, a phenomenon supplementing the latter, although they stand at opposite poles – unemployed capital at one pole, and unemployed worker population at the other.” (Marx, Capital Vol III, Collected Works Vol. 37, pp. 249-250)

<sup>125</sup> “When Adam Smith explains the fall in the rate of profit from a SUPERABUNDANCE OF CAPITAL, and ACCUMULATION OF CAPITAL, he is speaking of a *permanent* effect and this is wrong. As against this, the transitory SUPERABUNDANCE OF CAPITAL, overproduction and crises are something different. Permanent crises do not exist.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 128)

“(…) too many means of labour and necessities of life are produced at times to permit of their serving as means for the exploitation of labourers at a certain rate of profit. Too many commodities are produced to permit of a realization and conversion into new capital of the value and surplus value contained in them under the conditions of distribution and consumption peculiar to capitalist production, i.e., too many to permit of the continuation of this process without constantly recurring explosions.

Not too much wealth is produced. But at times too much wealth is produced in its capitalistic, self-contradicting forms.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 257)

<sup>126</sup> “From time to time the conflict of antagonistic agencies finds vent in crisis. The crises are always but momentary and forcible solutions of the existing contradictions. They are violent eruptions which for a time restore the disturbed equilibrium.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 248)

### 3.2.5 A parable of excess

We could offer a parable to more fully explain the difference in the concept in Marx and Boccara. The revisionist representation is of imagining the body, capital, which produces fat more or less permanently. Capital becomes obese and struggles on with increasing difficulty, weighed down by the excess of capital.

In the orthodox Marxist representation, the body certainly has a bit of fat on it, but in a proportion that varies with the conjuncture. This fat is essential for its metabolism. Capital can thus draw on its reserves when it accelerates to enter into its fast and furious race for accumulation and the hunt for surplus value. However, it always takes care of its body and tries to optimize this level of fat. A sudden heaving heart or paralyzing cramp at the end of the break-neck race suddenly stops it. It is out of the race, its whole metabolism alters and its body seems to weigh a ton. The body must take a break to get its wind back and be able to rejoin the race. The crisis, which appears as an overproduction of capital and the destruction of capital, taking several forms, must break out to put things right. Alongside this another phenomenon appears, which is, likewise, an organic product of the accumulation of capital. With the development of credit and super credit (that is, fictitious capital in the third meaning) inherent in it, we simultaneously encounter a stimulation to the accumulation of productive capital, capital seeking a profit, and the development of parasitic tendencies, which lead to the swelling up of fictitious capital in meaning I (fictitious in the sense of imaginary, illusory, that is the increase in stock market quotations) and in meaning II (fictitious capital, meaning fraudulent). It is a bit like if our athlete, not an obese person, carried a backpack filled with sponges. The sponges serve to refresh him by soaking up the sweat, so improving his performance, but, at the same time, the sponges that have soaked up the sweat begin to weigh more on his shoulders. This causes even more tiredness and a bubble forms. They contribute to a sudden stop, ending the race for our runner. Our example does not mean that the backpack could be dropped. It is an organic excrescence. The bubble could burst on its own account and produce a crisis limited to its own sphere<sup>127</sup>, but when the heart packs up, leading to a sudden stop to the race, the bubble deflates at the same time and accentuates the social catastrophe. It is also in this sphere, on a formal level, that the crisis begins.

Our athlete grows older and, weakened by tendentially more serious crises, hangs up his shoes, leaving racing and accepting the usual subsequent career. As a young athlete, he beat all the others as regards performance and record breaking, establishing new preparation and training methods that led him to hope for further records, but following his own advice, he has to admit that a new organization is required to go on. A new flight footed athlete he helped to train comes onto the track to replace him.

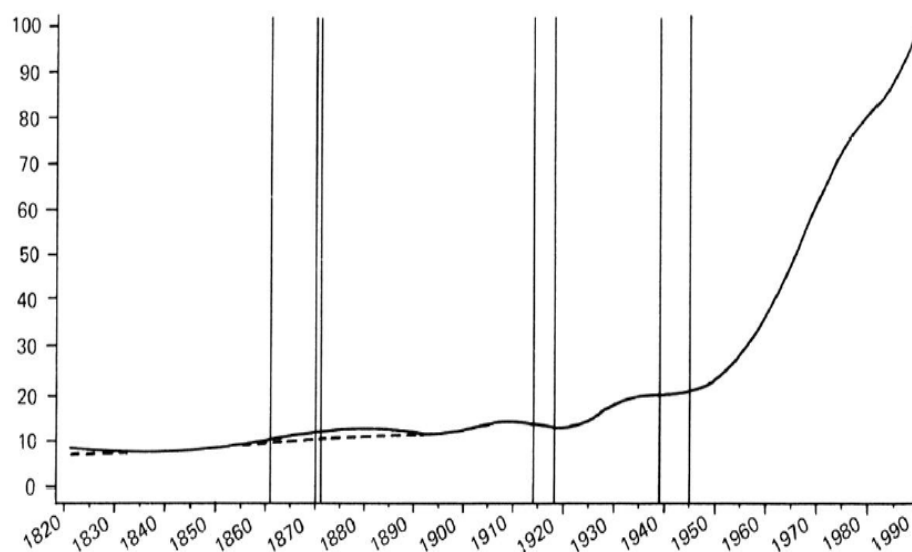
This last part of the forecast, the senility of capital, did not arrive in the period foreseen by Marx and Engels. Following two World Wars and an unprecedented counterrevolution, capital has been rejuvenated. The young proletariat has breathed fresh breath into its putrid mouth and given it new blood, allowing it to push the productive forces to a new level and dynamism

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<sup>127</sup> “The monetary crisis referred to in the text, being a phase of every crisis, must be clearly distinguished from that particular form of crisis, which is also called a monetary crisis, but which may be produced by itself as an independent phenomenon in such a way as to react only indirectly on industry and commerce. The pivot of these crises is to be found in moneyed capital, and their sphere of direct action is therefore the sphere of that capital, viz., banking, the stock exchange, and finance.” (Marx, Capital Vol. I, Collected Works Vol. 35, pp. 148-149)

unmatched in history<sup>128</sup>. This is clearly a question to be addressed by what remains of the communist party in the historical sense of the term.

*A - La productivité par tête multipliée par 13...*



[Figure A Per capita productivity multiplied by 13

<sup>128</sup> “On a moonlit night the white-dressed monks, perhaps in their thousands, assemble in ceremony and move slowly, expressionlessly, stiffly during the funeral chants, pauses and repeated prayers. When they form a very wide circle, something can be seen in the centre of the space, the body of their confraternity member lying on his back on the ground. He is neither spellbound nor has he fainted, but is dead, as can be realized not from his total immobility in the moonlight, but from the stench of decomposing flesh, which enters the nostrils of the surprised European when the wind changes direction.

After long circling and chanting and after further incomprehensible prayers, one of the priests leaves the circle and approaches the corpse. While the chant continues incessantly, he leans over the dead body, stretching over it to lie completely on it, placing his living mouth over the decomposing one.

The prayer continues in an intense and enthusiastic way as the priest slowly lifts the corpse from under the armpits to hold it vertically in front of him. The ceremony and the chant continue and the two bodies begin a long tour like a slow dance while the living looks at the dead and makes it walk in front of him. The foreign spectator looks on wide-eyed: this is the great experience of restoring to life in the occult Asiatic doctrine. The two walk within the circle of the praying monks. Suddenly, no doubt remains, one of the turns of the couple allows a moonbeam to pass between the two walking bodies to show the living one has removed his arms, while the other, alone, stands and moves. Powered by the force of collective magnetism, the vital force of the healthy mouth has penetrated into the decomposed body and the rite reaches its apogee, as for moments, or even hours, the corpse, standing on its feet, walks on its own.

So ominously yet again the young vital mouth of the strong proletariat has come into contact with the putrid, stinking one of capitalism and has given it with its unhuman hug a new lease of life.” (Bordiga, The corpse is still walking, Sul filo del tempo, no 1, May 1953)

### B - ... et la productivité horaire par 25 depuis le décollage économique (1820)

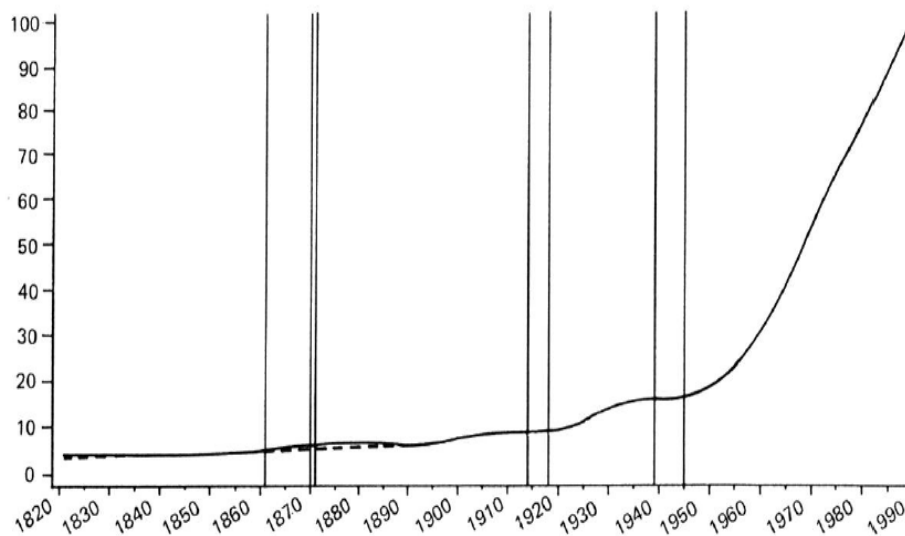


Figure B Hourly productivity multiplied by 25 starting from the economic upturn (1820)]

*The authors note that the vertical lines correspond to territorial changes and wars and that the curve from 1821 to 1896 was obtained from works by J.C. Toutain and M. Lévy-Leboyer.*

*Source: Olivier Marchand, Claude Thélot, Deux siècles de productivité en France. Economie et statistiques no. 235-236, Nov.-Déc 1990.*

### 3.2.6 Overaccumulation devalorization

According to Boccara, even if Marx used the term “overaccumulation”, he used the term “devalorization” only a little. When Boccara tells us that “overaccumulation” is used more often than “devalorization”, he is making an understatement. If our sums are correct, Marx uses the word “overaccumulation” twice in the relevant passages, generally preferring to speak of overproduction, and only once uses the term “devalorization”! If we are correct, in the whole of Marx’s work, mention is made only in the drafts for Capital Volume III (twice, as we have seen) of the concept “overaccumulation”. It is equivalent, as we have shown, to the overproduction of capital. On the other hand, we have also seen that the term devalorization was used in many places with different meanings. Here Boccara plays more the role of a public entertainer than a serious exponent of Marx.

A large part of the meanings that we have gone through can be found in the passages that Boccara’s analysis concerns, with a variety of terms (depreciation, destruction and also, once only, devalorization with the meaning of devalorization/depreciation which we have spoken about, and not in the sense of insufficient valorization, as Boccara would like us to think). In the context Boccara refers to, that is the chapter devoted to overaccumulation, certain meanings of “devalorization” are partly placed together under the term destruction. Marx also speaks of depreciation, which here is a synonym for devalorization.

We have shown above that the different terms were synonyms for devalorization with frequently different meanings. Boccara, however, finds a way to create a concept of devalorization for his own purposes. After having falsified the concept of “overaccumulation”, he moves on to the deal with “devalorization”. The overall general meaning that Boccara gives to devalorization is that of valorization at a below average rate of profit, a lesser value addition to capital. Mattick also uses the expression “imperfect valorization” to express Grossmann’s concept. The representations of



Boccaro and Grossmann stand far apart. Their only point of contact is when they falsify, each in his own way, the theory of Marx. The imperfect valorization of Grossmann comes from the difference between the (imaginary) need for surplus value to accumulate and the surplus value available, while for Boccaro it concerns capitals which obtain a rate of profit lower than the average rate of profit due to being left dormant. Mattick considers imperfect valorization and overaccumulation as being the same<sup>129</sup>, while Boccaro identifies it with devalorization.

Marx never used the term devalorization in the general sense Boccaro applies to it. The meaning which lies closest to one of the three cases grouped together by Boccaro under the concept of devalorization is the one which opposes valorization to the lack of valorization, the adding of value to capital without adding value (that is, devalorization with the third meaning cf. Devalorization = lack of valorization of capital due to the freezing of capital in the various phases of its process)<sup>130</sup>. The amalgam Boccaro makes of various aspects of the crisis and his grouping them together as his concept of devalorization completely falsifies the concept, which is even found being associated mechanically with overaccumulation. The name Boccaro gives to his theoretical concept, “overaccumulation devalorization”, reveals a mechanical and non-dialectical link that he introduces into the relations between the two concepts.

The excess capital corresponds to devalorization, seen as a capital valorized at a lower rate of profit so that the other part of capital can maintain its rate of profit.

The development of concepts is most certainly one of the components of scientific activity and, from this point of view, it is a task of the communist movement to develop what Marx left aside. However, in this case, the exegesis, even if Boccaro thinks he is the Newton of Marxism, only shepherds Marx back into the fold of political economy. He profits from concepts still in a fragmentary state and then sees to changing their meaning and, killing two birds with one stone, their revolutionary thrust.

### 3.2.7 Devalorization made easy

In fact, we know that when we speak about overaccumulation, it is a general overproduction of capital, which happens when there is an insufficiency of surplus value compared with the advanced capital. It takes place with a sudden fall in the rate of profit, which, on the level of overall capital, corresponds to a fall, a sudden downturn in relation to the general tendency in the rate of exploitation of labour power<sup>131</sup>.

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<sup>129</sup> “On its basis, for example, Martin Trottman reproaches Henryk Grossmann, who explained over-accumulation in terms of insufficient value expansion of capital, for falsely identifying two different, completely contrary tendencies of capitalist accumulation as one and the same.” (Mattick, *Economic Crisis and Crisis Theory*, Chapter 2)

<sup>130</sup> In fact, we could admit two links, albeit very tenuous, exist between the theory of Boccaro and Marx. Firstly, when Marx deals with devalorization with the third meaning, when the crisis arises, capital ceases to valorize and therefore devalorizes in the third meaning. Secondly, even if this stated in a confused manner, we consider that the devalorization of Boccaro is quite identical in certain cases mentioned to the devalorization/disaccumulation which, during crises, would see eclipse its sudden and drastic character in relation with the non-realization of the social product. However, at the same time, we would be ignoring the other dimensions of the devalorization: the devalorization as destruction and devalorization as depreciation.

<sup>131</sup> The rise in wages in Marx’s example does not take into account the classical process of valorization/devalorization; sudden fall in labour productivity, downturn in relation to the general tendency of the capitalist mode of production which leads to the rise in labour productivity, with which we can reintroduce this process.

Boccarà's explanation consists in limiting the question to just the accumulated part of the surplus value and to make it into an excess of capital. This excess is not a temporary glut that should be dealt with by the various forms of destruction and sudden devalorization of capital<sup>132</sup>. Here, according to Boccarà's concept, the excess capital takes on a permanent character. It is reabsorbed by a "devalorization" defined as a lower value addition to capital, a value addition at a lower than average rate of profit (the rate of profit may even turn negative with a deficit or a loss in extreme cases).

More precisely, Boccarà sees three solutions to cure capital and discharge its excess.

1<sup>st</sup> Part of capital, at least a part equal to the value of the excess, has no added value. It does not function as capital, "it is somehow left dormant". The profit is zero.

2<sup>nd</sup> Part of capital, having to be a larger part than the other to have the same effect, adds value at a reduced rate below that of the average rate of profit.

3<sup>rd</sup> Part of capital, perhaps smaller than the first part, suffers losses. For Boccarà, this is negative valorization. Part of the value of the accumulated capital is lost.

"These three solutions, zero, reduced or negative valorization, correspond to what we call the *devalorization* of a part of total capital, allowing, in principle, the continuation of adding value in other capitals and in capital overall." (Paul Boccarà, *Etudes sur le capitalisme monopoliste d'Etat sa crise et son issue*, Economie et politique, Editions sociales, p. 44)

The same theme is taken up again in the Marxist Textbook on Political Economy, which unabashedly presents Boccarà's nuances and circumvolutions<sup>133</sup>. The last reticence of the researcher concerning Marx's text are expedited. There is, from this point of view, a distinct contrast between the works of Boccarà, where the falsifications go no further than being just habits, precautions and explanations of the researcher, and the exposition in the textbook. The latter sees the learned assembly of the economics section being rather more lax. The brains trust, contrary to expectations, simplifies thought, therefore widening the bounds of the absurdity<sup>134</sup>.

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<sup>132</sup> Devalorization / disaccumulation, devalorization / destruction (of use values), devalorization / depreciation. Cf. Chapter 2 above.

<sup>133</sup> After having taken up the extract from Boccarà's article on the three solutions, the Textbook concludes: "These three solutions – valorization zero, reduced or negative – correspond to what Marx called "leaving capital dormant" and which could also be called devalorization of total capital" (*Traité d'économie politique marxiste, Le capitalisme monopoliste d'Etat*, Editions sociales, Tome 1, p. 39). Boccarà had taken care to specify that "(...) there are cases of zero profit which provide the expression Marx uses most often, but not always, that of leaving dormant [we have seen that Rubel, for example, translates it differently] capital" (Paul Boccarà, *Etudes sur le capitalisme monopoliste d'Etat sa crise et son issue*, Economie et politique, Editions sociales, p. 44). The Textbook therefore attributes to Marx views that Boccarà had finely shaded and equally confirms that the meaning given to devalorization belongs to Boccarà and the PCF.

<sup>134</sup> . "Conservatism is complex. On the one hand, it is rooted in today's society and throughout the party. On the other hand, there are oppositions, misunderstandings and deformations. It is therefore not simply a brake. It was not just Henri Claude who opposed the overaccumulation of capital, but just in 1971, when the *Traité sur le capitalisme monopoliste d'Etat* appeared, Philippe Herzog or Jean Pierre Delilez too. I was asked to modify their chapters on this point which only referred to the fall in the rate of profit. On the other hand, *le Traité* rejected my analysis of long cycles, downplayed the crisis of SMC and the need for another regulation. This led to censoring the first chapter I had edited, its rewriting and my exclusion (that went unnoticed, but explicit on page 2) from the group which edited the final version, while the work was often attributed to me.

Nevertheless, if the theory could be deformed in the party, at the same time the party gave a high profile and considerable authority to this theory, referring to it as a major social and political force. This reference

We have seen that Marx had at least seven meanings for the term “devalorization”, while Boccara manages to add another one, which has nothing to do with the seven preceding ones. This is quite clearly a way to falsify Marx<sup>135</sup>.

A fraction of capital is set aside. This phenomenon is not the corollary of the crisis of overproduction and does not lead to a general crisis, a collapse in capitalist production, but instead to the development of tendencies (the development of “public capital”) which puts aside the “devalorized” capital, that is to say, the capital with a lower added value. Here the sudden fall in the rate of profit does not lead to an overproduction of capital, which requires the sudden devalorization of capital. We can see the interest of our falsifiers in reusing the concept of relative overaccumulation. If we start from relative overaccumulation, instead of absolute overaccumulation, as before, we can admit that that any fall in the rate of profit creates an excess of capital. This means postulating, without saying so, the existence of a “golden rate of profit”, implicitly admitting the existence of an apogee of capitalist production, a golden age, an epoch when the rate of profit was optimal. This “golden rate of profit” does not lead to any excess. The fall in the rate of profit leads to increasingly setting aside as regards this golden rate of profit and then to a chronic relative overaccumulation. This permanent and growing excess of capital is “devalorized”, that is, valorized at a rate of profit below the present average rate of profit in order to maintain the golden rate of profit for the other part. The phenomenon has to appear at every fall in the rate of profit<sup>136</sup>, while it can be postponed by inflation<sup>137</sup>.

The excess capital, devalorized in Boccara’s way, is put out to grass within state or public companies. The poorer results, the low rate of profit, or even losses of these companies, cannot be explained above all by their bureaucratic management, or their monopoly position, which encourages low productivity, but exclusively by the pillage by large monopolies and overaccumulation, that is, an excess of capital which becomes permanent and causes the swelling of public capital and low profitability at the same time.

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was formidable for everyone.” (Paul Boccara, Table ronde sur les 50 ans d’Economie et politique [Round Table on the fiftieth anniversary of Economie et Politique] <http://www.pcf.fr/30518>)

<sup>135</sup> The Textbook of Marxist Political Economy introduces here misinterpretations compared with its own concept. “This fraction of social capital would be insufficient and even without the guarantee of profitability. This is why we end up with what we call “overaccumulation” of capital. This overaccumulation – whose analysis we will give in detail later – necessarily brings with it the “devalorization” of a part of the capital.” (Traité d’économie politique marxiste, Le capitalisme monopoliste d’Etat, Editions Sociales; Tome 1, pp. 30-31) and quotes Marx. (Capital Vol. III, Collected Works Vol. 37, pp. 250-251) who, in the passage given, speaks of devalorization in the sense of the fall in the value of capital due to the effect of the development of the rise in labour productivity, that is devalorization in the second meaning (cf. Devalorization = the fall in the value of capital under the effect of the rise in productivity).

<sup>136</sup> “In both cases [absolute and relative overaccumulation – ed.], the quest for additional capital, for a rate of profit at least equal to the average rate, requires that a part of total social capital no longer gains value, in other words, devalorizes” (Traité d’économie politique marxiste, Le capitalisme monopoliste d’Etat, Editions sociales, Tome 1, p. 38).

<sup>137</sup> “This excess stands in relation to the limits to profit that can be produced and realized because of the rise in the organic composition of capital to compensate the accumulated capital. In concrete reality, the fall in the rate of profit does not appear immediately, but is necessary according to value relations. Quite the contrary, accumulation and adding value to capital continue to take place on the basis of an increasingly *swollen* rate of profit in *price* terms, with the inflationary collection of profit above the surplus value produced.” (Paul Boccara, Etudes sur le capitalisme monopoliste d’Etat sa crise et son issue, Economie et politique, Editions Sociales, p. 295)

### 3.2.8 A double falsification

Capital is therefore, according to this new meaning, left dormant. Far from drawing a connection between frozen, immobilized, dormant, temporarily paralysed and capital left fallow, Boccara draws a line between this idleness, dormancy and fallowness and the tendency of capital which takes over and seizes capital when it gives up its mission, when it becomes senile, that is, when the fall in the rate of profit becomes evident, and is imposed while capital survives. Here Marx tells us:

“The rate of profit, i.e., the relative increment of capital, is above all important to all new offshoots of capital seeking to find an independent place for themselves. And as soon as formation of capital were to fall into the hands of a few established big capitals, for which the mass of profits compensates for the falling rate of profit, the vital flame of production would be altogether extinguished. It would die out. The rate of profit is the motive power of capitalist production.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 258)

Marx here considers the end of a historical cycle which supposes that the centrifugal forces of young capitals are no longer sufficiently strong to regenerate capital<sup>138</sup>, that the crises of overproduction have weakened it to such an extent that it has to abandon its historical mission when the fall in the rate of profit weighs heavily. Boccara can only link on to this with his approach to the term “dormant”. On the one hand, we have seen that the translations were different and this makes it more difficult to make the approach without twisting the meaning and, above all, we are in a different context.

Capital freezes with crises of overproduction. It becomes immobile and becomes dormant, this dormancy being the dialectical response to the crisis of overaccumulation. Here entering dormancy, or falling waste, is both the manifestation of the crisis and the drastic way to overcome it.

A dialectical relation is replaced by a mechanical one. Boccara does not deal with a crisis of overproduction transforming into the destruction of capital as a sudden devalorization / depreciation, but a progressive slide into sleepiness of capitalist production that creates excess capitals that the state puts out to grass in order to valorize them at a below average rate of profit, while further raising the profit of monopolies at the same time<sup>139</sup>.

Confusion results from completely altering the meaning of the final manifestations of the tendential fall in the rate of profit and the sudden fall in the rate of profit during crises.

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<sup>138</sup> “This process would soon bring about the collapse of capitalist production if it were not for counteracting tendencies, which have a continuous decentralizing effect alongside the centripetal one.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 245)

<sup>139</sup> This conceptual framework serves Louis Fontvielle, another person from the CNRS [Scientific Research Council], chief editor of the edition of Kondratiev’s works in French, to underpin his analysis of the increasingly important role of the state. “Taking as a hypothesis the law of the tendency of the rate of profit to fall, we have shown in our study “Evolution and growth; the French State, 1815-1969” that it was only possible to maintain the rate of profit on the condition that, for the total capital required for capitalist production, devalorized capital grew faster than the capital increasing value. The growth of the State, which outstripped that of the overall economy, would be the result of its increasing intervention in the process of devalorization.” (Louis Fontvielle, Dépenses publiques et problématiques de la dévalorisation du capital [Public expenditure and the problem of capital devalorization], *Annales E.S.C.*, 1978, March-April, no. 2, p. 245)

Boccaro therefore falsifies the concepts of overaccumulation and that of devalorization at the same time. Similarly, there is a tendency to play down the importance of crises of overproduction that occur periodically to the benefit of the concept of long cycles<sup>140</sup>, all the while pretending to construct a unitary theory<sup>141</sup>. Boccaro therefore rehabilitates the Kondratiev cycle<sup>142</sup>. We are not interested in criticizing Kondratiev's theories and analyses and other theoreticians of the cycle and long waves<sup>143</sup>. These concepts are poles apart from those of Marx, so we think that Trotsky's critique suffices, and we just suggest reading it<sup>144</sup>.

### 3.3 Marcel Roelandts

#### 3.3.1 Marcel Roelandts' project

Marcel Roelandts presents himself as a teacher and researcher at a university and several "hautes écoles" [State post-graduate Schools]. We therefore have the right to consider his intellectual production as the nth variety of academic Marxism. This circumspection in our judgement is all the more acceptable as Marcel Roelandts says he is not alone<sup>145</sup>.

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<sup>140</sup> We can note here Mandel's flirt with Boccaro's concepts.

<sup>141</sup> "All transformations concerning the rate of profit and the restart of accumulation take place through the devalorization of capital, be it through cyclical crises of overproduction of a 10 year type, or be it through long recurrent phases tending to weaker crises and longer consecutive depressions. These long phases push, through bitter class struggles, to the structural devalorization of capital and structural transformations of capitalism right up to putting its very existence in doubt." (Paul Boccaro, *Etudes sur le capitalisme monopoliste d'Etat sa crise et son issue*, Editions sociales, pp. 295-296)

<sup>142</sup> "It seems that these difficulties change the climate of capitalist growth at the moment. Without doubt, they are linked to the theory of long-term overaccumulation of capital, Kondratiev type waves." (Paul Boccaro, *Etudes sur le capitalisme monopoliste d'Etat sa crise et son issue*, Economie et politique, Editions sociales, p. 139)

"One could reply by recalling the criticisms previously made of Kondratiev, which besides has its own causal analysis which appears to me to be unilateral, of an underconsumptionist type. However, most of the criticisms of Kondratiev did not, for good reason, contest the validity of the series of prices, the long fluctuations of prices." (Paul Boccaro, *Etudes sur le capitalisme monopoliste d'Etat, sa crise et son issue*, Economie et politique, Editions sociales, p. 140)

<sup>143</sup> Boccaro was one of the pioneers in the post war period of this type of analysis. Kondratiev cycles, their supporters assert, generally last 50-60 years, falling into two phases, upswing and downswing, clearly equal in length. Boccaro claims to locate the beginning of the phase the start of the downswing in the West to 1967. This gives us a downswing phase that seems far from coming to an end already 46 years long [in 2013, now over 50 – ed.] which would make it a Guinness Book of Records entry. In this process, our faithful Stalinist considered that the false socialisms (but true capitalisms as they have come to recognize) of East Europe played their role in technological prowess and competition.

<sup>144</sup> For a panorama of the Kondratiev cycle, see: Eric Bosserelle, *le cycle Kondratiev, Théories et controverses*, Masson.

Leon Trotsky, *The Curve of Capitalist Development 1923*, <https://marxists.org/archive/Trotsky/1923/04/capdevel.htm>. Cf. also Richard B. Day, *The Theory of the Long Waves: Kondratiev, Trotsky, Mandel*, *New Left Review* 1/99, September-October 1976 <https://newleftreview.org/1/99/richard-b-day-the-theory-of-long-waves-kondratiev-trotsky-mandel>.

<sup>145</sup> "We therefore strongly advise reading the following three works to gain a rigorous hold of Marxist concepts in political economy". There follows a list of works whose authors are Jacques Gouverneur, Michel Husson and the duo Gérard Duménil and Dominique Lévy. (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 8).

"(...) Jacques Gouverneur provided me with numerous insights for delving into *Capital*, Michel Husson deeply impressed me by the rigor and wealth of his analyses (...)" (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions contradictions, p. 8). See also footnote 9 in the text where he worships Alain Bihr.

Apart from these authorities of academic Marxism he quotes highly, Marcel Roelandts never misses an opportunity to seek to reconcile himself with other “Marxist economists”<sup>146</sup>, the oxymoron he shamelessly uses to call them. Marcel Roelandts clearly seems to favour the underconsumptionist wing of the movement (it is no mistake that Isaac Johsua, who is more closely associated with the opposing tendency, but, regarding a particular matter, the domination of wage labour, wins the accolade of Marcel Roelandts all the same. Besides, we have seen that Johsua attributes an underconsumptionist theory to Marx). Opponents are left unnamed, but are not rapped over the knuckles either<sup>147</sup>.

Marcel Roelandts project is not to propose a new interpretation of the crises of the capitalist mode of production. He seeks above all to go along with a Marxism which sees the crisis as threatening the foundations of capitalism and, consequently aims to overcome this mode of production in a revolutionary way. After this, he struggles to gather the clearer tendencies from the great controversies that criss-cross Marxism, while updating and developing them. Above all else, Marcel Roelandts tries to overcome the opposition between the followers of the explanation of crises by overaccumulation, the fall in the rate of profit and those who think they are due to the lack of effective demand.

He thinks he can, to a certain extent, find this way to overcome the division by showing the unity of Marx’s theory from which he extracts two main axes: “on the one hand, the contradictions connected to the extraction of surplus value, which is translated by the mechanism of the tendential fall in the rate of profit, on the other hand, the immanent tendency of the system to throttle its own outlets following the shift in sharing between wages and profits following on from the “conditions of antagonistic division” of the total product between labour and capital (and between sectors of the latter). Following their own internal logic, these two axes lead to recurrent crises of overproduction”. (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, p. 5).

A project aimed at defending orthodox Marxism is worthy of praise and would win our full support. Unfortunately, as we shall see, the result is far from the one promised. We will show that the theoretical project of Marcel Roelandts, far from renewing with Marx a revolutionary critique of political economy, takes up with a ghastly synthesis what is the *very worst* in each of the tendencies to end up with an underconsumptionist variant of the crisis. We will make him a standard-bearer of academic Marxism, seeing the synthetic character of his analysis.

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<sup>146</sup> “(...) We suggest reading the very stimulating work by Isaac Johsua (...)” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*. Editions Contradictions, p. 69)

“(...) there are too few considerations on the evolution of the rate of surplus value, the problems of its division, the state of the class struggle and the evolution of wage earners. Only the work of certain Marxist economists (Jacques Gouverneur, Michel Husson, Alain Bihr, etc.) has somewhat pushed the worries to the front of the stage. We take part with them and hope they will be followed by others.” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, pp. 86-87)

<sup>147</sup> “In response, the first display “the orthodoxy” of the law of the *tendential fall in the rate of profit* and relegate the arguments of the others to the level of the Ecole de la Régulation [mid 70s economics school – ed.] and the theories of underconsumption, others going as far to propose other methods of calculation in order to “rub out” the rise in the rate of profit and make reality fall in line with their “orthodoxy”” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions contradictions, pp. 3-4) This passage offers another opportunity to raise hats to Michel Husson; “On this question, the reader can consult the remarkable clarification offered by Michel Husson: the tendential rise in the rate of profit (...)” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 4)

### 3.3.2 Time waits for no one

Marcel Roelandts is quite right to say that for Marx the tendential fall in the rate of profit appears clearly only, as we have seen, in certain circumstances and over a long period<sup>148</sup>.

Marcel Roelandts' presentation in the work we analyse has the appearance of orthodoxy, but it is nothing of the sort.

In an article<sup>149</sup> lavishing deference on Alain Bihr<sup>150</sup> who “clearly [presented] an important dimension to Marx’s analysis of crisis”, Marcel Roelandts returned to the question of the long period. He presented himself as a defender of a “tendency (we suppose he meant the tendency of the fall in the rate of profit – ed.) [which] develops over a very long period, such as the end of the whole arc of capitalist development.” (Marcel Roelandts, article, p. 4). Later on, he specifies that in this timeframe we have to envisage the tendency of the rate of profit to fall. “YES to a short (10 year cycle) and middle term (+/- 30 years), NO to long term (century long tendency) ... and without doubt YES to a very long term (many centuries) ... but this very long term tendency cannot as yet be proved empirically (...)” (Marcel Roelandts, extract from the article, p. 5). After having seemingly discarded in the book<sup>151</sup> “decennial” cycles, called middle term, in this article, published after the book, he reintroduces, as a complement to middle term cycles on which the fall in the rate of profit stands, century long cycles (rejected) and many century cycles (whose status is unclear).

In the book we have quoted it is clear that Marcel Roelandts considered that for Marx the tendential fall in the rate of profit has a timeframe of several cycles, but in the article, he draws together in the same movement the so-called short-term cycle (“ten year cycle”) and a middle-term cycle estimated to last more or less thirty years.

Here we have a series of purely revisionist statements.

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<sup>148</sup> “Thus the law [of the tendential fall in the rate of profit – ed.] acts only as a tendency. And it is only under certain circumstances and only after long periods that its effects become strikingly pronounced.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 237). Marx therefore defines two cases where “the law acts” (1) “under certain circumstances” and (2) “after long periods”. But what does is meant by “long periods”? The reply is clearly given at the beginning of the same chapter on ‘Counteracting influences’: “If we consider the enormous development of the productive forces of social labour in the last 30 years alone as compared with all preceding periods; if we consider, in particular, the enormous mass of fixed capital, aside from the actual machinery, which goes into the process of social production as a whole, then the difficulty which has hitherto troubled the economists, namely to explain the falling rate of profit, gives place to its opposite, namely to explain why this fall is not greater and more rapid.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 230). Thus, while Marx talks about “long periods” during which the law of the tendential fall in the rate of profit is in force, he speaks of “thirty years”. Therefore we are neither in the timescale of ten year cycles, not in that of a *century*, put forward by certain authors, a time scale that cannot be found in Marx’s work because he dates the beginning of the modern age of capitalism from 1825 and he wrote *Capital* in the second half of the nineteenth century.” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, pp. 16-17)

<sup>149</sup> “Discussion de l’article d’Alain Bihr: D’une crise de valorisation à une crise de réalisation”, Marcel Roelandts, 11 March, 2011.

<sup>150</sup> If you scratch my back, I’ll scratch yours. Four months later, Alain Bihr, who had taken into account some remarks made by Marcel Roelandts on the role of Socialisme ou barbarie as a pioneer, if not inspiration, of The School of Regulation theses, made a presentation eulogizing somewhat Marcel Roelandts’ positions, and therefore his own as well – one is never better served than by oneself. See *Le Monde diplomatique*, July 2011.

<sup>151</sup> We will see that on this point there are quite a few revisionist approximations.

On the one hand, he introduces the idea of an intracyclical tendential fall in the rate of profit, while Marx wrote quite clearly that it was intercydical. This bluffing aims to justify, as we shall see, the identification of the sudden fall in the rate of profit that appears with crises and the tendential fall in the rate of profit that runs through several cycles. Marcel Roelandts does not avoid, like a good number of exegeses, the error we have already identified which consists in assimilating, without any other form of a process, the tendential fall in the rate of profit and the sudden fall in the rate of profit characteristic of the overaccumulation of capital<sup>152</sup>.

Elsewhere he puts his seal of authenticity on a middle term cycle of more or less 30 years, which only corresponds to a partly conjunctural expression of Marx. At the time of writing, it corresponded to the downswing in the course of the most highly developed capitalist production. What is important is not the thirty years, but the fact that the tendential fall in the rate of profit is intercydical. Its timeframe is the long period (several cycles), which is also placed in a configuration of the world market (cf. below the remarks of Engels), a given geographical and historical configuration. Therefore, it could not be assimilated to a phenomenon transcending the whole history of the most highly developed capitalist mode of production.

This complementary text lets us also understand better that Marcel Roelandts does not reject the idea of a secular fall in the rate of profit as such. He does not state this using statistics<sup>153</sup> and so he puts it aside, but not for theoretical reasons. Quite the contrary: the latest period of his work that we quote in a footnote does not dismiss this possibility. It only states that Marx and Engels could not have had this hindsight, because the first modern crisis of overproduction dates from 1825, while they died in 1883 and 1895 respectively. If we take into account the additions to the analysis provided by Alain Bihr, we could state that this leaves open the perspective of a fall which covers more than the thirty years, lasting a century, even several centuries. In this case, why introduce, by nailing Marx to it, a period of more or less thirty years? This would also be to forget that in the spirit of Marx the capitalist mode of production has entered a period of ageing, its period of senility<sup>154</sup>, and the limits that it poses to the progress of the productive force of labour were just manifestations of its ageing. Engels thought that the victory of socialism was at hand and, even if an ever more threatening world war could not be avoided, it would still be victorious, irrespective of the winner of the war. Consequently, Marx and Engels did not need to imagine the fall in the rate of profit over centuries and centuries<sup>155</sup>. Moreover, when Engels recalled the fact that the cycle did not appear so clearly in the last quarter of the 19<sup>th</sup> century, he attributed the phenomenon to the new world market set up, meaning that the fall in the rate of profit had to be analysed over several cycles in a given geographical and historical set up outlining a specific organization of the world market.

As regards the present period, a new page in the history of the capitalist mode of production was turned after the Second World War. It is highly probable that the set up that dominated until the

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<sup>152</sup> Marcel Roelandts explains in a footnote that what he presents with the term of the law of the tendential fall in the rate of profit can be found in the literature on theories of crisis under the name “crisis of overaccumulation”, “profit squeeze”, “problem of capital valorization”, “insufficient level of working class exploitation”, etc. (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 13.

<sup>153</sup> . “(...) I have still to see a graph showing the century, or several century long fall in the rate of profit (...)” (Marcel Roelandts, Discussion of the Article of Alain Bihr, *D’une crise de valorisation à une crise de réalisation*, p. 5)

<sup>154</sup> Marx, *Capital* Vol. III, *Collected Works* Vol. 37, p. 261.

<sup>155</sup> “Although the capitalist system is on the decline in the West and is approaching the time when it will be no more than an ‘archaic’ formation (...)” (Marx, *Drafts of the letter to Vera Zasulik*, Second Draft, *Collected Works* Vol. 24, p. 362 fn. c)



end of the 1980s was modified by the collapse and metamorphosis and the change in the “model” of capitalism that had developed in the USSR and the countries it held in thrall, and with the expansion and unification of the world market, a new episode misnamed “globalization”. This fact means that the fall in the rate of profit cannot be understood without taking into account the geographical space and historical time in which it takes place and which appears as an evolution and metamorphosis subject to the effects of the modifications taking place in the world market. This law is not abstract, lifeless, non-historic or transcendent<sup>156</sup>, but instead is a material phenomenon which cannot be totally separated from real history.

### 3.3.3 An extravagant Ricardian concept

Marcel Roelandts chooses the worst possible representation of the fall in the rate of profit. He accepts the Ricardian logic of “declining revenues” for the fall in the rate of profit. He nevertheless hopes to open a perspective of crisis<sup>157</sup> with this theory. Marcel Roelandts does not take into account the specific character of this fall in the rate of profit characterized by overaccumulation of capital. In order to justify his point of view, he is led to accept an extravagant representation of capitalist accumulation when he moves on from the level of total capital to the level of individual capital, making competition play a contradictory role to justify the unjustifiable.

This is the sequence of events:

- First period: the rate of profit falls following accumulation, which turns out to be only slightly profitable. We are on the level of total capital.
- Second period: individual capitalists find themselves forced to accelerate accumulation due to the fall in the rate of profit. We have moved to the level of the individual capitalist. This permits the justification of events with a much lower probability of happening on the level of total capital.

### 3.3.4 The contradictory role of competition

This transition between the two periods is helped along by the misunderstanding of the role of competition and by the manipulation of quotes from Marx.

Marx certainly did not see competition as the *deus ex machina* which vulgar economics so often takes recourse to in order to offer an explanation.

Marcel Roelandts does not ignore this fact and he quotes Marx to back his theory: “It is the fall in the rate of profit which encourages competition and not vice versa”. This quotation allows him to justify the transition between the two periods.

According to Marcel Roelandts, at a certain moment the accumulation of capital encounters a fall in profitability. Far from discouraging capitalists, it instead forces them on, under the influence of competition, to increase their effort to accumulate. This effort ends up with an even lower profitability, which in turn leads on, we do not know why, “(...) to a crisis and slowdown of economic activity which restricts final demand: a fall in investment in fixed capital and thereby

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<sup>156</sup> “Glory to the Father, the Son and the Holy Spirit, for centuries and centuries.” (Magnificat: Luke 1, 46-55)

<sup>157</sup> Marcel Roelandts is very clear that there is no absolute point beyond which the crisis becomes inevitable. He says “(...) there are no predefined quantitative limits within its productive forces (be they a percentage of the rate of profit, a quantity of effective or extra-capitalist markets, etc.), which determine the point alpha where this mode of capitalist production falls over the edge to its death” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 53)

accumulation too, bankruptcy of companies operating with a below average rate of profit, (...)” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 23)

Therefore, we have in Marcel Roelandts’ interpretation a first period where the fall in the rate of profit causes competition, followed by a second period where competition causes the fall in the rate of profit. Well-wishers, even if not naïve, could see the dialectic in action here; on our part we would place this type of thinking in the realm of the three card trick. Marcel Roelandts makes a proposition and then the opposite of the proposition<sup>158</sup>. The first is in line with the spirit of Marx, the second turns its back on Marx.

### 3.3.5 Variations in the rate of accumulation of surplus value

Marcel Roelandts’ pack of tricks leads on to considerations concerning the rate of accumulation, which are similarly riddled with contradictions. After altering the meaning of overaccumulation<sup>159</sup>, which further enforces his propensity to remove its specific characteristics, Marcel Roelandts in fact constructs the following intellectual scheme:

- First period: accumulation of surplus value is only slightly profitable
- Second period: competition leads, despite the fall in the rate of profit, to an acceleration in accumulation and therefore, in the theoretical framework, a rise in the rate of accumulation of surplus value
- Third period: slowdown of economic activity (called “crisis”) that this time around leads to a fall in the rate of accumulation and therefore a fall in final demand.

The same causes produce different effects in the second and third periods. Here too we could take recourse to dialectics, but it is not reality which is contradictory, but the representation of Marcel Roelandts which is inconsistent. During the second period, the fall in the rate of profit leads (using the fallacious argument of competition) to a rise in the rate of accumulation. Why does this phenomenon invert during the third period, the period of the pseudo-crisis? In fact, why is it that only the fall in the rate of profit in the third period becomes synonymous with the crisis? Only the variation in the rate of accumulation is the vector of the crisis. The fall in the rate of profit, interpreted in the Ricardian manner, is a purely external embellishment, an “orthodox” decoration to improve the “Marxist” décor of the crisis, but serves no purpose in the argument. The best proof of this is that his intellectual guru Michel Husson protests<sup>160</sup> that the rate of profit does not fall, while he nevertheless develops the same intellectual scheme.

### 3.3.6 The art of falsifying citations

Marcel Roelandts uses the manipulation of a citation from Marx in order to gain credit for his interpretation of an increase in the rate of accumulation with a fall in the rate of profit (second period).

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<sup>158</sup> It is true that “The vulgar economist does practically no more than translate the singular concepts of the capitalists, who are in the thrall of competition, into a seemingly more theoretical and generalized language, and attempt to substantiate the justice of those conceptions.” (Marx, *Capital* Vol. III, *Collected Works* Vol. 37, p. 229)

<sup>159</sup> “(...) each capitalist is constrained by the imperatives of enlarged reproduction to invest more and more or run the risk of disappearing: this is accumulation, or “*accelerated accumulation*” as Marx called it.” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 23). Here Marcel Roelandts increases the confusion by assimilating overaccumulation with accelerated accumulation when it is a matter of overproduction. Cf. The next section: “Accelerated overaccumulation”.

<sup>160</sup> With, as we have seen, the assent of Marcel Roelandts is another of his contradictions.

The quotation is as follows: “the fall in the rate of profit and accelerated accumulation are just two different expressions for the same process (...)”.

We have already had occasion, when examining Grossmann’s theory, to comment on this quotation, which certainly provides a peg for the falsifier to hang his hat on. We have shown that Grossmann shamelessly defiled it. Grossmann has an excellent disciple in Marcel Roelandts.

Let us reread the quotation in full:

“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 the productive power. 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. On the other hand, a fall in the rate of profit again hastens the concentration of capital and its centralization through expropriation of minor capitalists, the few direct producers who still have anything left to be expropriated. **This accelerates accumulation with regard to mass<sup>161</sup>, although the rate of accumulation falls with the rate of profit.**” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 240 – our emphasis)

Therefore Marx stated quite the opposite of what Roelandts wanted him to say. The rate of accumulation falls with the rate of profit. As we have already remarked, the tendency of the rate of accumulation follows almost the same course as that of the rate of profit. Grossmann’s theories and Marcel Roelandts’ interpretation too suppose a rise in the rate of accumulation with a fall in the rate of profit, and, what is a particular case is, without being impossible, still less probable than the opposite. What is more, it is not a case of conjuncture, of particular cases or passing tendencies, but of systematic and systemized courses of events.

We therefore end up with a conclusion based on the activity of falsifiers that lies poles apart from the theory of Marx. For Marx, the tendency of capitalist accumulation is to increase the mass of accumulated surplus value such that the rate of accumulation tends to fall with the fall in the rate of profit. In other terms, the rate of accumulation tends to reflect the course of the rate of profit (rise in the rate of accumulation when the rate of profit rises, fall in the rate of accumulation when the rate of profit falls).

### 3.3.7 Accelerated overaccumulation

We shall now look in more detail at the operation of defiling the concept of overaccumulation that we mentioned in the section above entitled “Variations in the rate of accumulation of surplus value”.

Marcel Roelandts originally amalgamated the tendential fall in the rate of profit and overaccumulation. “Overaccumulation, the tendential fall in the rate of profit and the lack of

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<sup>161</sup> Our friend the mathematician would say that if accumulation is accelerated, as far as mass is concerned, it is contradictory to state that the rate of accumulation of it falls. This would be to forget that Marx was not considering here (something which is quite rare), a “pure” capitalist mode of production, but that he takes into account other modes of production (“direct producers”). Even if the elegant formula would be the mass of accumulated surplus value rises while the rate of accumulation falls. Furthermore, Marx also considers the effects of rising labour productivity (therefore the effects of the valorization/devalorization process, which he otherwise leaves aside). In relation to the previous period, for the same mass of accumulated surplus value, the number of machines, the amount of raw materials, the labour power etc. all rise and, from this point of view, accumulation accelerates.

surplus value are only different manifestations of the same reality (...)” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 23).

Then he makes a link between the fall in the rate of profit and the acceleration of accumulation, which can actually be found in Marx, but, as we have seen, Marcel Roelandts manipulates and falsifies its real meaning.

This only leaves us with mistaking overaccumulation (that is, the overproduction of capital) for the accelerated accumulation of capital. “In fact, each capitalist is forced by the imperatives of enlarged reproduction to invest more and more to avoid disappearing: this is overaccumulation, “*accelerated accumulation*”, as Marx called it.” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 23).

In three steps, Marcel Roelandts shepherds Marx into the fold of academic Marxism.

Marcel Roelandts’ entire vulgar construction is inspired by Michel Husson. Clearly, the disciples of Ernest Mandel only swear in competition<sup>162</sup>, but Mandel cannot explain the fall in the rate of profit this way. This is a vision that goes back to Adam Smith<sup>163</sup>.

Michel Husson starts by distinguishing overaccumulation from overproduction.

”We can find two absolutely central contradictions which draw together in a tendency to overaccumulation, on the one hand, and overproduction, on the other.” (Michel Husson, *Accumulation et crise*, 2004).

By overaccumulation we understand that capitalists, due to the pressure of competition, are forced to overinvest and at the same time lay the bases for overproduction that relative underconsumption causes, due to the limits to purchasing power.

Marx said nothing of the sort as he saw overaccumulation and overproduction as the same. The two terms are synonymous. Marx used the term overaccumulation as an equivalent to the overproduction of capital to show that we are considering a specific form of the crisis of overproduction. This is not just the overproduction of commodities, that is to say, a crisis of overproduction resulting from an excess of surplus value in the form of an excess product. He instead wanted to show that this overproduction originated in the sphere of capitalist production and that is was the result of the insufficient production of surplus value. In this case, we are

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<sup>162</sup> We have already had the occasion to criticize Mandel’s concepts on competition in our defence of Rosa Luxemburg against the vulgar economists.

<sup>163</sup> “A. Smith attributed the fall in the rate of profit as capital grows to the competition of capitals among themselves. Ricardo objected to this that while competition may certainly reduce the profits in the different branches of business to an average level, even up the rate of profit, it cannot depress this average rate itself. A. Smith’s proposition is correct to the extent that it is only in commerce – the action of capital on capital – that the immanent laws of capital, its TENDENCIES, are realized. But it is incorrect in the sense which he understands it - namely that competition imposes on capital laws extended to capital, laws brought in from outside, which are not capital’s own laws. Competition can permanently depress the rate of profit in all branches of industry, i.e. the average rate of profit, only if, and only to the extent that, a general and permanent fall in the rate of profit operating as a law is conceivable also *prior to* and regardless of competition. Competition executes the inner laws of capital; it turns them into coercive laws in relation to the individual capital, but it does not invent them. It realizes them. To wish to explain them simply by competition means to admit that one does not understand them.” (Marx, 1857-1858 Manuscripts, *Grundrisse*, Collected Works Vol. 29, pp. 135-136)

therefore no longer talking about the overproduction just of commodities, but the overproduction of capital. Its driving force is not competition, which would force it to increase the rate of accumulation by creating excess productive capacity, but a sudden fall in the rate of profit due to the insufficient production of surplus value which makes production capacity (productive capital), money capital, commodities (merchant capital) and labour power all excessive.

Here we have both the falsification of the meaning of overaccumulation and the separation of it from overproduction.

### 3.3.8 Academic Marxism and the business firm

The great advantage, but also a problem, academic Marxism holds over the proletariat is that it has never stepped into a factory. Marx did not either, you could add, but he was well informed by the capitalist entrepreneur Engels. We are dealing with university thinkers, a gathering of professors and doctors who are used to and trained to think in an abstract manner about the great intellectual categories, in short, the kings of the concept.

Capital and the rate of profit are the intellectual field where academic Marxism plays without even suspecting that these concepts are there in the reality of companies as the basic cells of capitalist production. Small companies, the *bête noire* of socialism, swarm around capitalist production<sup>164</sup>. We can cast a rapid glance at the situation in France, for example.

Insee [National Economics Statistics Office], which has used new categories (we cannot comment on them here) since 2008, classified non-agricultural companies<sup>165</sup> as follows (2007 data):

Company size:	Micro	Small/medium	Medium	Large
Number	2,660,000	162,400	4,510	219
% of companies	94%	5%	<1%	<0.001%
% paid workforce	21%	29%	20%	30%

Clearly, the average rate of profit is not something that appears at a company level. This is more the exception than the rule. The average rate of profit is not only found at the level of branches of industry, but also at the level of capitals gathered within capitalist groups which invest, buy and sell companies, even entire sectors of the economy (Marx equalized equal masses of capitals), many factors (without mentioning questions connected to rent, taxes, the importance of capitals employing labour not producing surplus value, relations between fictitious capital and real capital, contraction and expansion of capital etc.) which make the criticisms of the so-called errors Marx made regarding the transformation of values into production prices (one of the great areas of debate for academic Marxism) absolutely absurd.

The disappearance of companies<sup>166</sup> implies they lose money and that their activity is structurally loss making. A loss does not necessarily lead to the end of a company, but supposes that if it is not purely conjunctural, the search for a new organization, new markets etc. must begin. The larger the availability of equity, to use accountancy terms, the more the company can face this

<sup>164</sup> Cf. our book « Crise du capital, crise de l'entreprise ». [Crisis of capital, crisis of the company]

<sup>165</sup> There are no longer any associations which sometimes once played an important economic role.

<sup>166</sup> We are making an abstraction of the process of mergers and acquisitions and winding up which often takes place with the retirement of the executives, and the end to enterprises, which are really shell companies, which does not necessarily mean they were criminal.

investment. The larger the availability of easy credit, the easier it is to even out the up and downs. These factors prepare for a crisis of overproduction on a larger scale at the same time.

Consequently, it is a flight of fantasy, something academic Marxism knows how to produce very well, that announces that a corollary of the crisis is the “bankruptcy of companies which are too far below the average rate of profit” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 23). It is not a question that a company being unable to make enough profit cannot be sold, nor that its management fails to look for ways to improve its profitability, nor that the insufficient profits can pose an obstacle to its development, hence major investments are required to stay on the market; but to write that marginally profitable enterprises go to the wall is a purely intellectual operation which is both false theoretically (the equalization of the rate of profit does not take place at this level) and practically (have you seen companies go under even when they are only marginally profitable?)<sup>167</sup>

The question is obviously very different to the one the company faces when a client does not pay an invoice because he has called in the receivers or gone bankrupt. There is the unexpected discovery that the assets of the company consist largely in fictitious capital (only current invoices and signed contracts provide backing for the debt, while the bank account is prey to bankruptcy proceedings) and it could therefore be dragged under, since its bottom line is turning red. Therefore, we are no longer dealing with low profitability or reduced profitability following an external shock (despite the fact that all companies do bad business now and then), but with loss making.

In fact, Marcel Roelandts uses this argument, which really is not one, to try to smuggle in a crisis derived from the fall in the rate of profit when he has produced no justification as regards its modalities. We have seen that there is a good reason for all this; his ignorance of the connection between the tendential fall in the rate of profit and the overaccumulation of capital.

### 3.3.9 Academic Marxism and statistics

If academic Marxism blatantly ignores the company, it has predilection for macro-economic statistics, and particularly for econometrics<sup>168</sup>, the practice of writing long equations little people can hide behind when putting forward pitiable theories.

The theoretical deviations, like those we shall highlight concerning fixed capital, the somnolent debates on the rate of surplus value, the organic composition and the rate of profit, are all part of the same kettle of fish as this need for statistical analysis.

We do not wish to challenge the use of statistics in themselves, but rather the way they are collected according to delicate technical processes on the basis of theories opposed to our own. It is therefore very difficult to use these statistics in line with revolutionary theory in order to draw pertinent conclusions. Nevertheless, accurate analyses can use available statistics to reach interesting results. However, theoretical clarity is indispensable and we are far from seeing it.

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<sup>167</sup> Here we are excluding the case of a liquidity crisis, which would change the “normal” functioning of an enterprise and cannot find either a shareholder or a banker, or, in certain cases, accept claim assignment (e.g. Dailly law), in order to meet “deadlines”.

<sup>168</sup> The term “dumbeconometrics” would be generally more appropriate.

### 3.3.10 Fixed capital and the cycle

#### 3.3.10.1 *Fixed capital and constant capital*

Marcel Roelandts has a predilection for fixed capital. This burning passion is so all consuming that he distorts the process of accumulation. For example, he wrote the following, seemingly rather sibylline, sentence we shall try to unravel:

“After a period of time, the increase of capital following investments no longer provides the same increases in productivity and these gains are no longer enough to cover the expenditure required in new machines to obtain them. Accumulation therefore suffers declining returns: (...)” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 13)

Marcel Roelandts speaks here about “investments”, apparently meaning only fixed capital, while accumulation supposes the accumulation of constant capital – of which fixed capital is but a part – and variable capital, for us to stick to productive capital.

Besides, the idea that increased productivity is no longer able to match the expenditure for new machines corroborates the impression that Marcel Roelandts is only interested in the fixed capital part of constant capital.

By mixing the concepts of bourgeois political economy, the concepts of Marx and the interpretations of vulgar Marxist political economy, Marcel Roelandts ends up with a conceptual hotchpotch where the theory of Marx is totally watered down. By putting together the lark of Marx, the mule of vulgar Marxist political economy and the ass of vulgar bourgeois political economy, Marcel Roelandts wants to produce lark’s tongue in aspic labelled biological orthodox Marxism! Furthermore, he hopes no one cries out about the scandal!

#### 3.3.10.2 *Fixed capital and the organic composition of capital*

It could be thought that it was just a linguistic lapse, but this confusion is systematic. Marcel Roelandts returns to the counter tendencies to the falling rate of profit to write:

“In fact, it all depends on the intensity of the gains in productivity: they reduce the price of the machines, which tends to compensate for buying ever larger numbers of them.” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 33) and a bit further on:

“It follows the same path as the organic composition of capital. Unlike what is often stated, it does not ineluctably rise: everything depends on the gains in productivity which go to compensate for the increasing use of machines and cutting their price. This is the reason why the organic composition of capital can only fluctuate: it goes up when the increase in the number of machines per worker (the technical composition of capital) is greater than the gains of productivity (making their price fall) and goes down when the case is the opposite.” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 34).

Marcel Roelandts therefore makes the numerator of the organic composition of capital consist in only fixed capital. Both in Capital Volume I and Volume III, Marx made clear what he meant by the organic composition of capital. He distinguished between the value composition (the ratio between the value of constant capital and the value of labour power, the mass of wages) and the technical composition (the ratio between the mass of means of production and the quantity of labour required to operate them). The organic composition of capital is the value composition

while it also reflects the technical composition. It is bothersome to have to recall that the organic composition (which draws together the technical and value compositions, or more precisely, the value composition in as far as it reflects the technical composition<sup>169</sup>) relates the constant capital (that is, the capital in the production process, which only transmits its value to merchant capital that emerges from the production process, and therefore consists in, apart from fixed capital, raw materials, fuel and other energy sources, etc., in short all circulating constant capital) to the variable capital.

All other things being equal, the rise in labour productivity increases the mass of raw materials used in the production process, and thereby the organic composition of capital. For example, if the introduction of new work organization and machines permits the increase in labour productivity and twice as many shoes per person are produced, twice as much leather, tacks or glue, thread and laces, etc. must also be used. Other factors, apart from fixed capital, increase the organic composition of capital. The increase in productivity in areas further up the chain, such as leather for example, would also have a counter effect, even cancelling the increase in the value composition. The same holds true for the rise in productivity in the factories producing the machines and other components of fixed capital, this sector being particularly subject to the process of obsolescence, which contributes to its devalorization. These factors show that the change in the value composition “(...) only shows approximately the change in the composition of its material constituents.”<sup>170</sup>

On the other hand, the denominator of the organic composition includes variable capital, whose changes also influence the value composition.

The rise in the organic composition of capital should not be seen just as the ratio between fixed and variable capital and furthermore should not be included in a logic of continuity where tendencies and counter tendencies permanently cancel each other out along a path that one would like to consider as indefinite. The rise in the organic composition should translate and reflect the increase in the technical composition (it being evident that there is an increase in productivity). Leaps in the technical composition, changes in the production process and new techniques and organization of labour all produce bounds in labour productivity. The value composition is therefore the reflection of the change that has taken place in the technical composition. It is therefore not the case of following the fluctuations of value and price for a given technical composition. Our economists<sup>171</sup> (171) thoughts are fossilized in absurd concepts

<sup>169</sup> “This proportion [a certain quantity of labour power represented by a certain number of workers is required to create, in a day for example, a certain quantity of products, therefore to set to work or productively consume, a certain quantity of means of production, machines, raw materials etc.] forms the technical composition of capital and is the real basis of its organic composition.” (Marx, Capital Vol. III, Collected Works Vol. 37, p 144)

<sup>170</sup> (Marx, Capital Vol. I, Collected Works Vol. 35, p. 618)

<sup>171</sup> In order to contrast the point of view (when, by chance, they do not meet in order, in concert, to push revolutionary theory off course) which thinks over to infinity the continuous variations in the organic composition, the other tendency replies by expecting to add a greater stability to the organic composition. They do not hesitate to falsify the concept of the organic composition to do this. For example, Louis Gill, after quoting Marx, as regards the definition of the organic composition, declares that “the technical composition is the ratio between dead labour and the total mass of living labour, that is, the part paid from variable capital  $v$ , and the unpaid part, the source of surplus value  $sv$ . In value terms, the ratio of “dead labour : living labour” is given by  $c/(v + sv)$ ” (Louis Gill, Carré rouge, no. 43, p. 63). It is true that Louis Gill could base himself on a passage from Marx to legitimize his ambiguous interpretation. Marx said: “A definite number of labourers corresponds to a definite quantity of means of production, and hence a definite quantity of living labour already objectified in means of production.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 144) But in this passage, as in the other passages, the ratio between dead



and are all too ready to stabilize a part of the movements in the organic composition and to change the rule by relating constant capital to the whole of living labour  $c/v + sv$ .

We can leave the subject here, which, besides, is even more complex than what emerges from the soft soaping presentation made of it by Marcel Roelandts. The movements of the organic composition are not linked only to the accumulation of surplus value, but also to the overall reproduction of capital (including the arrival of new entries that are more likely to introduce innovations).

### 3.3.10.3 *Fixed capital and statistical revisionism*

All these approximations aim firstly to set the theory within the framework of statistical categories both created and employed by the bourgeoisie. The theory is damaged by this under the pretext of taking note of facts using contemporary statistical methods. It also links the fall in the rate of profit and fixed capital inadequately. It even creates still further confusion both as regards the theory of the fall in the rate of profit and as regards considerations concerning fixed capital (especially for what it contributes to the determination of the cycle).

### 3.3.10.4 *The turnover of fixed capital and the cycle*

Here we can again take up the time scale of the first explanatory axis of crises which Marcel Roelandts stressed (the difficulty in *extracting* sufficient surplus value). He tells us that this difficulty “drives its roots into the need to increase constant capital at the expense of variable capital, so its rhythm is basically linked both to the more or less ten year long cycles for the turnover of fixed capital and the falling revenue from increases in productivity in the middle term (+/- 25 to 30 years)” (Marcel Roelandts, *Dynamiques, contradictions et crises du capitalisme*, Editions Contradictions, p. 16).

In the note appended to this passage, Marcel Roelandts specifies:

“Starting with *Capital*, but even more so in his correspondence with Engels, Marx is unambiguous about the fact that links the ten year cycles of accumulation and growth principally to the increase in fixed capital, which causes a downturn in the rate of profit. We should again state that Marx made the ten year period an average and not an absolute value.”

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and living labour is always a value relation, while the technical composition compares the mass of the means of production with the quantity of labour required to operate them. Modifying the concept of organic composition (moreover doing so passing it off as that of Marx, therefore by falsifying it) can only cause further confusion. Surplus value is destined by its very being to be accumulated, and the part accumulated is divided itself into constant capital and variable capital. Furthermore it should not be forgotten that the modifications to the organic composition are not only due to the result of the accumulation of surplus value. The value of fixed capital transferred to the product can be reemployed and this new accumulation will take into account the present state of the organic composition. Consequently, the evolution of the marginal organic composition does not only depend on surplus value alone. In companies this is translated notably by the by the notion of “cash flow”, a notion more or less translated by “gross margin of internal financing”. Besides, since capital accumulation is growing, the value of fixed capital transferred to the product is higher than the need dictated by its renewal (at least if the growth in labour productivity and obsolescence do not offset this phenomenon) that allows, in this case, the acceleration of accumulation. The only measure which the capitalist more or less masters in deciding whether or not to acquire new technology and buy new machines or introduce a new organization of working procedures, in short a change in the technical composition of capital, is production costs. Consequently, it is true that Marx’s concept ( $c/v$ ) is the most pertinent especially for evaluating the mass of living labour to be employed to operate the means of production. Louis Gill’s criticism is aimed at Michel Husson who, besides, is perfectly in agreement with the revision made by Louis Gill.

Marcel Roelandts presentation is particularly negligent.

It is true that Marx spent his lifetime showing the relationship between the periodicity of the cycle and the length of time taken in the turnover of fixed capital. It would be equally true to say that the increase in fixed capital and its increasingly relative importance in advanced capital is a factor increasing the importance of fixed capital in the determination of the cycle. However, it is not true to say.

1st the cycles are *principally* linked to this increase in fixed capital.

Marx (Marcel Roelandts quotes him) tells us that it is *one* of the material bases of the cycle and not the principal material basis. Besides the problem posed just by the turnover of fixed capital, we also have to take into account the cycle of accumulation itself (by bringing in the movement of capital valorization and devalorization and the evolution of the rate of profit within the cycle), which follows different phases characteristic of the conjuncture of the cycle<sup>172</sup>, the financial cycle with the development of credit and the influence of fictitious capital, reactions to State intervention, notably as regards monetary, economic and tax policy, and last but not least the level of class struggle. So there is a great conjunction of factors<sup>173</sup> of which the turnover of fixed capital forms a part.

2<sup>nd</sup> the rate of profit and fixed capital have to be related (Marcel Roelandts speaks about “weighing down” and “downturn”).

In these final considerations on the relation between fixed capital and the cycle, Marx insisted on the difference between the value of fixed capital, which is freed bit by bit in line with its wear and tear and its existence as a use value where it fully carries out its role as long as it is functioning. In studying the eponymous schemes for the reproduction of capital, Marx stated that the reproduction of fixed capital could theoretically take place without incident. He also insisted on the variation in the accumulation of this capital in supporting the perspective of a cycle corresponding to the rotation of fixed capital. Even if the incompleteness of Marx’s works on the subject could leave space for a revisionist perspective, of which Mattick is a good representative<sup>174</sup>, the symmetrically opposed error would be to make it a mechanical and principal component of the cycle.

The cyclical dimension caused by the reproduction of fixed capital does not derive from its progressive “weighing down” during the course of the cycle to cause the “downturn” of the rate of profit at its end, which would be a mechanical concept of the first water. After having

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<sup>172</sup> “If we observe the cycles in which modern industry moves – state of inactivity, mounting revival, prosperity, overproduction, crisis, stagnation, state of inactivity, etc., cycles which fall beyond the scope of our analysis – we shall find that a low rate of interest generally corresponds to periods of prosperity or extra profit, a rise in interest separates prosperity and its reverse, and a maximum of interest up to a point of extreme usury corresponds to the period of crisis.” (Marx, Volume III, Collected Works Vol 37, p. 358)

<sup>173</sup> The communist movement can now consult at least four times the number of facts concerning the history of modern crises (more than twenty crises of overproduction since 1825) compared with Marx and Engels. Despite this, the analysis of the cycle and the rate of profit have been lying fallow.

<sup>174</sup> “The *definite* crisis-cycle of the last century is, however, an empirical fact not directly related to Marxian theory. It is true that Marx tried to connect the definite periodicity of the crises with the turnover of capital. But he did not insist on the validity of this explanation. In any case, his theory does not depend on any particular periodicity of crises. It only maintains that crises are bound to arise as an expression of a temporary overproduction of capital and as the medium for the resumption of the accumulation process.” (Mattick, Marx and Keynes, Merlin Press, p. 73)

discarded the tendential fall of the rate of profit during the cycle, it would amount to reintroducing a mechanical fall at the end of it.

What Marx had to consider was how to show that the reproduction of fixed capital includes a cyclical element. He never succeeded completely in this. It is therefore a task set for the communist movement to demonstrate and above demonstrate *mathematically* that the variations in the accumulation of fixed capital contains a cyclical dimension and that the length of this cycle is the same as the period of the turnover of fixed capital<sup>175</sup>.

3<sup>rd</sup> the cycle foreseen by Marx was ten years long without stating the perspective was that the length of the cycle was shortening.

This perspective did not appear in the draft manuscripts or preparatory research work, but in *Capital* Volume I, published during his lifetime<sup>176</sup>. We should be clear about this. It followed the facts to be dealt with and their analysis to show clearly, using the available statistics, the periodical nature of the crisis. For over 35 years, we have shown that in line with Marx's forecast, the cycle has shortened and now stands (since 1945 and after the 30 year Post War Boom) at around 6 years.

We can further add that Marx also foresaw the existence of intermediate crises (that could attenuate the general crisis), following what happened before 1848, when the cycle, taking into account these intermediary crises, lasted about five years<sup>177</sup>.

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<sup>175</sup> We have managed to show this. The demonstration has been published in a book on the cycle of crises in the United States since 1929. A separate publication of the chapters concerned can also be found on our web site [www.robinfoodfellow.info](http://www.robinfoodfellow.info).

<sup>176</sup> "But only after mechanical industry had struck root so deeply that it exerted a preponderant influence on the whole of national production; only after foreign trade began to predominate over internal trade, thanks to mechanical industry; only after the world market had successively annexed extensive areas of the New World, Asia and Australia; and finally, only after a sufficient number of industrial nations had entered the arena – only after all this had happened can one date the repeated self-perpetuating cycles, whose successive phases embrace years, and always culminate in a general crisis, which is the end of one cycle and the starting-point of another. Until now the duration of these cycles had been ten or eleven years, but there is no reason to consider this duration as constant. On the contrary, we ought to conclude, on the basis of the laws of capitalist production as we have just expounded them, that the duration is a variable, and that the length of the cycles will gradually diminish." (Marx, *Capital* Vol. 1, p.786, fn.\*, Penguin edition). [The passage was written for the French edition of *Capital* and therefore does not appear in the English edition in the *Collected Works* Vol. 35]

<sup>177</sup> This is what led Marx and Engels, following the end of the 1848 revolutions, to envisage a new crisis around 1853, which did not materialize.

## 4. Underconsumption and crises

### 4.1 The unity of Marx's theory

#### 4.1.1 A badly treated unity

A habitual practice of the adversaries of Marx is to oppose Marx to himself. We find this approach again in what concerns the explanatory theories of the bases of crises. We frequently find cases<sup>178</sup> where the Marx who supports the theory of the fall in the rate of profit, of overaccumulation and overproduction is turned against the Marx who supports underconsumptionism. Is this not just what we have seen above, based on a range of quotations that separates the two tendencies of academic Marxism we have already looked at?

Nevertheless, there is a deeply rooted unity in Marx's theory of crises. Besides, it was one of the promises, as we have seen, of the project announced by Marcel Roelandts that made us feel this unity, to overcome apparent contradictions and competing schools to provide us with a unitary synthesis of Marx's theory. The difference compared with Mattick, for whom the separation into two tendencies was based on the ambiguity of Marxian formulations<sup>179</sup>, Marcel Roelandts endeavours to overcome this false opposition and to present an overall theory and this forms the orthodox dimension of his project.

We have stated that we shall show that, unfortunately, this project does not achieve a critical overcoming, but instead takes up the worst of both tendencies to end up with a catastrophic synthesis<sup>180</sup> for revolutionary theory. We have shown in previous chapters that Marcel Roelandts had taken up a good number of the dullest points of the theories of overaccumulation. We showed that he only developed a cut down and intrinsically incorrect vision of the Marxian perspective in order to rally to the most summary interpretations of vulgar Marxist political economy. Such interpretations end up by making the capitalist mode of production last forever and to justifying the practice and politics of social democracy. We shall also see that the same holds true for those who traditionally stand on the side of underconsumptionism.

We have also recalled that the cycle of accumulation seeks the maximum surplus value and the valorization/devalorization process leads to the necessity of crises. Periodically these crises take the form of either the overproduction of capital (overaccumulation) or the overproduction of commodities. These are the Scylla and Charybdis the accumulation of capital sails between. They have the same basic origin; they are different expressions for the same limit linked to the process of valorization/devalorization of capital. This cycle is the basis of capitalist production and articulates with the financial cycle<sup>181</sup> and the cycle of fixed capital which itself is a factor in the

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<sup>178</sup> The quote from Johsua in Chapter 1. The Range of Academic Marxism, is an example.

<sup>179</sup> Mattick thought that these ambiguities masked the uncertainties of a Marx, who was a follower of two opposed theories, before finally choosing the theory of the fall in the rate of profit independently of all the phenomena tied to worker consumption. As we have seen, Mattick rallied to the ultra-vulgar theory of Grossmann which minimizes overaccumulation and the rotation of fixed capital, while denying any difficulty in the realization of value and surplus value, in brief, placing Marx in vulgar Marxist economics of the Ricardian type.

<sup>180</sup> Besides, this is a pseudo synthesis, because Marcel Roelandts in fact ends up as an underconsumptionist, the branch where we filed him away.

<sup>181</sup> Credit and fictitious capital, the financial sphere can also experience specific crises which also favour and worsen general crises of overproduction.

crisis and an element that can establish the regularity of the cycle. The whole of these elements fits into a period that lasts over several cycles in a given geographical and historical framework, with the movement of capital that is expressed in the law of the tendency of the rate of profit to fall.

#### 4.1.2 A striking unity

As we have said, there is a deeply rooted unity in Marx's theory. This passage from the 1857-1858 Manuscripts (Grundrisse), which we quote completely, seeing its importance, makes this crystal clear:

“The simple concept of capital must contain in *itself* its civilizing tendencies etc., They must not be presented, as they are up to now in political economy, as merely external consequences. Similarly, the contradictions which are later released, must be demonstrated as already latent within it.

So far, we have in the valorization process only the indifference of the individual moments to each other, [Marx has shown that disproportions were a permanent necessity – ed.] that they determine each other internally and search for each other externally, but that they may or may not find each other, balance each other, correspond to each other. The necessary inner connection of moments belonging together and their mutually indifferent, independent existence are already a foundation of contradictions.

However, we have by no means finished yet. The contradiction between production and valorization – of which capital, according to its concept, is the unity – has to be grasped more intrinsically than merely as the mutually indifferent and apparently independent appearance of the individual moments of the process or, rather, of the totality of processes.

To get closer to the point: *d'abord THERE IS A LIMIT; NOT INHERENT TO PRODUCTION GENERALLY; BUT TO PRODUCTION FOUNDED ON CAPITAL.* [Marx's emphasis – ed.]. **This LIMIT is two-fold, or rather it is the same limit considered from two different aspects** [our emphasis – ed.]. Here it is sufficient to demonstrate that capital contains a *particular* restriction on production – which contradicts its general tendency to drive beyond every barrier to production – to have uncovered the foundation to *overproduction*, the basic contradiction of developed capital: or, to put it more generally, to have uncovered that capital is not, as the economists believe, the *absolute* form for the development of the productive forces – not the absolute form for that, not the form of wealth which absolutely coincides with the development of the productive forces.

The stages of production which precede capital appear, when looked at from the standpoint of capital, as just so many fetters upon the productive forces, But capital itself, correctly understood, appears as the condition for the development of the productive forces only so long as they require an external spur, a spur which at the same time appears as their bridle. It is a discipline over them, which at a certain level of their development becomes quite as superfluous and burdensome as [previously] the corporations, etc. These inherent limits must coincide with the nature of capital, with the essential character of its very concept.

The necessary LIMITS are:

- (1) *Necessary labour* as the limit on the exchange value of living labour capacity or on the wages of the industrial population;

- (2) *Surplus value* as the limit on surplus labour time; and, with the respect to relative surplus labour time, as the limit on the development of the productive forces;
- (3) What is the same, *transformation into money*, exchange value in general as the limit on production; or exchange based on value, or value based on exchange, as the limit on production. It is;
- (4) Again identical as the *restriction on the production of use values* by exchange value; or that real wealth has to assume a *specific* form distinct from itself, i.e. a form not absolutely identical with itself, if it is to become an object of production at all.

On the other hand, it arises from the *general tendency of capital* (and this is what in simple circulation was manifest in the fact that money as the means of circulation appeared only fleetingly, devoid of independent necessity, and hence not as a limit and barrier) that it forgets and abstracts from:

- (1) Necessary labour as the limit on the exchange value of living labour capacity; (2) surplus value as the limit on surplus labour and the development of the productive forces; (3) money as the limit on production; (4) the restriction on the production of use values by exchange value.

*Hinc* overproduction, i.e. a sudden *reminder* of all these necessary moments of production based on capital; hence general devaluation in consequence of forgetting them. This immediately faces capital with the task of trying again from a higher level of development of the productive forces, etc., resulting in an ever greater COLLAPSE *as capital*. Therefore clear that the higher the level to which capital has developed, the more it appears as a barrier to production - hence also to consumption - quite apart from the other contradictions which make it appear as a burdensome barrier on production and commerce.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, pp. 341-343)

What does this passage mean for us? When Marx speaks of the two aspects, he is considering the sphere of production and the sphere of circulation, of reproduction or still production seen from the point of view of the limits posed by the value of exchange and production from the point of view the limits posed by use value. As for the single limit, the one Marx later split into four aspects or four sub-limits, this is found in capital itself. Capital is value in process, value seeking the maximum surplus value. The valorization/devalorization contradiction in this process translates into the limits to the extraction of surplus value. These limits appear in the sphere of production, the production of exchange value, the production of surplus value as an extra value. But there are also limits linked to use value. This is the case during the transition from one value form to another during the realization of the social product, due to the very fact of the value form, due to the fact that value is expressed in money and therefore the whole of the social product has a mercantile character. This is equally the case when we consider the *material composition* of the social product. This term combines two things that must be distinguished. On the one hand, the *material composition* of the social product. This term covers the distinction between means of production and means of consumption, that is, between commodities for use in productive consumption – raw materials, machines – and commodities for non-productive use (personal consumption – means of consumption of necessities, means of consumption of luxury products – or collective consumption). On the other hand, the mass or the volume of use values produced. Here we reach the limits of surplus value production as surplus product.

The limits inherent in the sphere of production refer to the contradictions which emerge on the basis of the movement of value, of value relations, of the maximum production of surplus value. They appear therefore in the first aspect evoked by Marx. They translate within the framework of the valorization/devalorization process because, under the influence of the rise in labour

productivity, the extra value grows, while the necessary labour time reduces the value of labour power along with other commodities. By valorizing, capital devalorizes and the value in process, that is capital, is wiped out in this movement. An ever greater growth in labour productivity is required in order to increase surplus labour. The extraction of an extra unit of surplus value requires a more than proportional increase in productivity. The limits (sub limits) are inherent to the sphere of production and form the first aspect of the limit inherent in capital noted by Marx. Another limit (sub limit) regards the realization of capital value in money which we have seen is not at all automatic and contains the possibility of crises. It opens up the second aspect of the limit inherent in capital Marx talks about. The limits are strictly in the sphere of circulation, but they are the continuation of the contradictions in production founded on capital. This is why Marx tells us that it is a single limit in two aspects. Here we can see the contradictions between exchange value and use value, between production and realization and commodities and money emerging fully.

The last limit (sub limit) linked by Marx to the preceding ones also belongs to this second direction that regards the sphere of circulation. It is generally paid insufficient attention. It is the form the social product adopts, that is, on the one hand the use values that constitute it, the material composition of the social product, its use (means of production, means of consumption), and on the other hand its volume, the mass of commodities produced. These dimensions lead to a contradiction in the framework of capitalist production, a particular limit we will explain.

The last two limits, together making up the second aspect, are quite rightly characteristics of contradictions highlighted by the theoreticians of underconsumption.

Even through there are many orientations and contradictions, these limits have a common origin in the capitalist mode of production and they can appear in an autonomous fashion<sup>182</sup>. The first orientation leads to a crisis of overaccumulation. An overproduction of capital necessarily leading on to an overproduction of commodities related to the insufficiency of surplus value and a sudden fall in the rate of profit due to the insufficient expansion of production due to the fall in the degree of development of the productive force corresponding to it. We should note that this overaccumulation underlies the necessity for crises, while their possibility is provided by the contradiction between the commodity and money, by the fact that realization is not automatic and depends on the level of the rate of profit. The overproduction of capital brings together all the contradictions and all the limits to culminate in a general crisis of overproduction<sup>183</sup> (182). The second orientation, which therefore has its own autonomy, and specificity, leads to an overproduction of commodities due to the over-rapid growth of the productive power of labour and the incapacity of society to absorb the relations between the classes and the form of the social product (material composition and volume). This translates in the same way into a general crisis of overproduction that leads to a devalorization of capital which also has the function of

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<sup>182</sup> “The conditions of direct exploitation, and those of realizing it, are not identical. They diverge not only in place and time, but also logically.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 243)

“For it is then possible – since market and production are two independent factors – that the expansion of one does *not* correspond with the expansion of the other.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 154)

<sup>183</sup> “The world trade crisis must be regarded as the real concentration and forcible adjustment of all the contradictions of bourgeois economy. The individual factors, which are condensed in these crises, must therefore emerge and must be described in each sphere of the bourgeois economy and the further we advance in our examination of the latter, the more aspects of this conflict must be traced on the one hand, and on the other hand it must be shown that its more abstract forms are recurring and are contained in the more concrete forms.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 140)

reconstituting the correct relation of exploitation. It is somewhat vain to ask oneself about what is the form of overproduction that is important in crises. Capital accumulation sails between Scylla and Charybdis and regularly runs into one or the other: the lack of surplus value, additional surplus value, from the point of view of exchange value; the excess of surplus value, extra product, from the point of view of use value, which both have the same effects<sup>184</sup>. If the two aspects can be, even have to be, distinguished (lack of surplus value, of extra value – in value – and excess of surplus value, of surplus product – in use value), the two dimensions are not necessarily antagonistic. If overaccumulation rests on an insufficiency of surplus value, it nevertheless leads to an increase in the mass of use values, not to mention the material composition and the relations between classes. Consequently, we cannot rule out cases where the lack of surplus value is combined with the excess of surplus product in the general crisis of overproduction. At the other extreme, a massive increase in productivity could combine with the considerable, greatly devalued surplus product so that the apparent additional surplus value would be zero. All these aspects show an analysis of the process of valorization/devalorization that Marx only sketched.

## 4.2 Theories of underconsumption

### 4.2.1 General considerations

Marx envisaged making a complete criticism of Sismondi, the leading figure of the underconsumptionist tendency who was plagiarized by Malthus, in a book dedicated to

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<sup>184</sup> Tom Thomas, whose limits we have already seen, sees overaccumulation as an excess of all forms of capital (money, means of production, commodities). If he meant the overproduction of capital, this would be correct. But the same would hold true for the overproduction of commodities which would be due to the fact that all forms of capital freeze and temporarily become excessive. This approximation lays the way open to a deviation. What Tom Thomas means by “excess” is the impossibility to realize sufficient surplus value in sale. For our part, we have distinguished overaccumulation (overproduction of capital), which supposes an insufficient production of surplus value within the productive sphere itself, which leads to a general crisis, on the one hand, while on the other, the overproduction of commodities, which also leads to a general crisis due the realization of an insufficient quantity of surplus value (due to an excess of surplus value as surplus product) or even a greater part of the social product.

Tom Thomas thinks that overaccumulation and underconsumption are two ways of saying the same thing. We will show that the antithesis (we are talking about suitable labels for two different phenomena, because the overproduction of capital does not take place without the overproduction of commodities and the overproduction of commodities is an overproduction of commodity capital and leads on to all the characteristics of general overproduction: money capital as well as productive capital are frozen, the rate of profit falls etc.) is the overproduction of capital and overproduction of commodities, which is a way of showing that they are two expressions of the same contradiction, two pitfalls between which the accumulation of capital struggles and which have a common origin in the search for the maximum surplus value, one of whose consequences being the tendential fall in the rate of profit.

Therefore overaccumulation and underconsumption do not stand in opposition, but we can distinguish between the overproduction of capital and the overproduction of commodities. Each one expresses one of the components of the contradiction between exchange value and use value within the goals laid down by capital: the production of the maximum surplus value and the increase in the productive power of labour which goes with it. Overaccumulation, the overproduction of capital, rests on exchange value, on the insufficient production of surplus value as an extra value on top; overproduction of commodities rests on use value, the excess production of surplus value as a surplus product, the material form of the social product and class relations.



competition and credit<sup>185</sup>. This did not happen and the book never appeared. In the text the footnote comes from we can however find the following passage:

“Sismondi is profoundly conscious of the contradictions in capitalist production; he is aware that, on the one hand, its forms – its production relations – stimulate unrestrained development of the productive power and of wealth; and that, on the other hand, these relations are conditional, that their contradictions of use value and exchange value, commodity and money, purchase and sale, production and consumption, capital and labour, etc., assume ever greater dimensions as production power develops. He is particular aware of the fundamental contradiction: on the one hand, unrestricted development of the production power and the increase of wealth, which, at the same time, consists of commodities and must be turned into cash; on the other hand, the system is based on the fact that the mass of producers is restricted to the NECESSARIES. Hence, according to Sismondi, crises are not accidental, as Ricardo maintains, but essential outbreaks occurring on a large scale and at definite periods of the immanent contradictions.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 247-248)

Therefore, we can again find the two limits of the second orientation defined in the previous chapter. On the one hand the question of the realization of the social product, which is in fact the contradiction between the commodity and money, opens the possibility of a general crisis. On the other hand, the question of the form of the social product (its material composition and the mass of use values in which it is expressed) in the framework of a social relation between classes. In the previous quote, the exposition concerning the form of social product and the use values composing it here insists on, as do the underconsumptionist theoreticians, the necessary means of consumption actually consumed, this consumption being necessarily limited by the productive class, the proletariat.

The theoreticians of underconsumption stressed these contradictions in order to admit the existence of general crises, that is, crises affecting all branches of production in contrast to the Ricardian concept of overproduction in one branch just being the corollary of underproduction in another. As for the extent of the crisis, the theoreticians of underconsumption clearly saw that general crises existed, a crisis hitting all sectors at once. On the other hand, as regards its depth in relation to the social product, the crisis only affected a part of it. This part was surplus value and generally speaking, within it, the fraction destined for accumulation.

They did not understand that the limits appearing in the sphere of circulation and the distribution of revenues were to be seen in connection with the relations of production too, so they sought solutions which preconceived both the return to times-gone-by forms of production and a new form of distribution of revenues without questioning capitalist production, wage labour and the existence of the State. This vision of things saw that wage and fiscal policies would favour the stability of capitalist production to the extent that they encouraged demand, facing an accumulation leading to overproduction, if not diverted towards speculative sectors which were an even more immediate threat to the whole structure. The opponents to this analysis thought that these policies, in reducing in the rate of profit by letting the State seize resources in order to waste them, would damage accumulation and favour stagnation and crises.

Underconsumptionists, such as Sismondi saw the tendency to a permanent crisis because of the existence of a permanent, intrinsic and structural disequilibrium between production and the

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<sup>185</sup> “I exclude Sismondi from my historical survey here because a critique of his views belongs to a part of my work dealing with the real movement of capital (competition and credit) which I can only tackle after I have finished this book.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 245)

effective demand of society. Sismondi considered that crises came from a permanent disequilibrium. The crisis was potentially permanent because the fresh annual product was purchased with the revenue of the preceding period.

Rosa Luxemburg considered that the surplus value to be capitalized could not be realized in a purely capitalist mode of production.

The Keynesian version was the possibility of an “equilibrium” called “underemployment”, that is, a falling level of production causing “involuntary unemployment” due to a decreased “effective demand”. Keynesian theory however sought to deal theoretically (within the general theory) with “underemployment” as well as “full employment,” which became no longer normal, but a special case instead, which was not automatic, Keynes thereby becoming the Einstein of economic science.

Marx contrasted this mechanical vision with a dialectical one. Regularly, periodically, what had been made possible with the separation between sale and purchase, the contradiction between the commodity and money, did not take place and the realization of the value of the commodity in money stopped. There is a division between sale and purchase. The crisis which breaks out in the sphere of circulation has its origins in the sphere of capitalist production, either in relation to the sudden fall in the rate of profit due to the lack in the production of surplus value (overproduction of capital), or due to a great expansion of production that cannot find its market outlet (overproduction of commodities). The underconsumptionist school had put its finger on certain contradictions in capitalist production, better so than the rival school, but it placed it in the same framework (that of exchange value), and that of purchasing power (in value). Crises were therefore born when there was a permanent disequilibrium between production value and purchasing power.

#### **4.2.2 A thermal parable**

We can try to use a “thermal” parable to illustrate the differences between the concepts.

For the underconsumptionist theoreticians, there is a permanent leak in the boiler (a structural insufficiency of effective demand) and so its performance is below the maximum. A permanently poor performance follows that could partly be covered by external compensation (support for demand) if not by using an old, obsolete boiler.

For the theoreticians of disproportion, the low performance seen in the boiler could only be a temporary phenomena that could be matched by a new operation of the boiler, knowing that the boiler’s own operation was subject to a self-regulating mechanism that should permit reaching the correct level of pressure for the appropriate operation of the boiler, as long as nobody interfered with untimely interventions.

Seen from the viewpoint of the fall in the rate of profit, the Ricardian vision comes down to considering that the pressure would tend to fall in the boiler until it was unable to produce sufficient additional power. The Ricardian variant of the Grossmann/Mattick kind, which seeks an absolute point where the fall in the rate of profit, would lead to a crisis. All that is required is to substitute the mass of water vapour for its pressure to obtain a good result. When this mass is found to be insufficient for the given work to be performed, at a clearly given point the boiler closes down and the crisis can break out.

For Stalinist theoreticians, we have what is in fact a permanent fall in pressure. Each fall in the rate of profit is the equivalent of a fall in pressure. This situation can be resolved by syphoning

off part of the vapour at a very low pressure into an additional boiler that increases in size, thus allowing for the level of pressure in the original boiler, whose size is relatively smaller, to be maintained.

For Marxism, the pressure will tend to increase in the boiler and the corrective mechanisms and safety valves will partly syphon off the excess pressure (seeking the maximum surplus value, valorization/devalorization of capital). When a major rise in pressure leads to a sudden fall, the internal mechanisms are largely put out of action, and a violent contradiction emerges in the boiler and threatens to make it explode (overaccumulation, overproduction of capital). Otherwise, a great rise in pressure is equally likely to damage the boiler because the safety valves are not designed for this excess pressure and an explosion is possible (overproduction of commodities). In both cases the regulatory mechanisms cease to function correctly and the boiler must be opened which releases all the heat generated and burns everything in its path (sudden devalorization, catastrophic crisis). When the boiler has cooled down enough, it can be restarted on a new cycle. An attempt is made to limit these crises by trying not to let the boiler pressure rise too fast. The energy input is cut back as is its power output (limitation to the rate of accumulation, tendency of the rate of profit to fall), while other safety valves are installed (unproductive consumption, exports, carrying out major works to fix capital without major productive fallout in the near future).

### 4.3 The grain of truth in the theories of underconsumptionists

Marx's theory of crises does not stand, as is often stated by many representatives of academic Marxism, on the basis of underconsumptionism. We shall go on to see how Marx's theory cannot be put alongside this category. But a grain of truth can be found in the false theory of underconsumptionism. This grain is inextricably tangled up in the much criticized theoretical skein. However, two points can be unraveled:

1<sup>st</sup> The realization of the social product does not take place on its own. General crises are possible.

2<sup>nd</sup> The factors composing the material composition, such as the volume of the surplus product and the social product, are not without importance when understanding crises of overproduction.

#### 4.3.1 The realization of the social product

The absence of the realization of value and surplus value (the transformation of the social product into money) is not a mechanical process due to the chronic deficit of social demand which is intrinsic to the functioning of society. It is not a case of a permanent limit to the absolute purchasing power of society. Crises are periodic and their possibility lies in the possibility to separate sale from purchase, so the origin has to be sought in the nature of money. This criticism of commodities and money already means overcoming the mercantile economy, putting an end to production where the social product is expressed in money. Money is not just a simple mediator of exchanges, but a form of existence of the commodity which is necessary for it to be represented in the form of an exchange value expressed in money. These factors are the primary condition for capitalist production where the product must necessarily be a commodity expressed in money. The criticism of the absence of realization is therefore much wider ranging than the one undertaken by the underconsumptionist theoreticians because it concerns the very existence of capitalist production. So the criticism becomes a revolutionary criticism<sup>186</sup>.

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<sup>186</sup> Marx concludes his critique of Ricardo and Say, for whom the realization of commodities presented no particular difficulty, with "Since the transformation of the commodity into mere use value (product) obliterates the existence of exchange value, it is just as easy to deny, or rather it is necessary to deny, that

The potential separation between commodity and money, sale and purchase, makes crises possible. In order to allow capital to continue its progress, the commodity capital coming from the production process has to be transformed into money, the value has to be realized by becoming autonomous in the money form to be able to proceed in restarting the valorization process, seeking the maximum surplus value. This realization is not automatic, unlike what Ricardian ideas would wish. Realization entails the sale of the commodities and does not take place on its own. But this absence of realization is not due to an intrinsic lack of demand, which is structurally part of the capitalist mode of production. The realization takes place most of the time. This does not mean that since the crisis does not take place systematically, it does not take place at all. In fact, the crisis is periodical.

Besides, making this potential the cause of crisis means explaining the crisis by the crisis<sup>187</sup>. Consequently, the crisis must be understood and explained starting from a unitary concept, which is notably the interest of the theory of overaccumulation. By showing that the overproduction of commodities, which can take place on its own account, is also the result of the overproduction of capital, of overaccumulation, whose roots lie in capitalist production, due to lack of surplus value. Marx explains this and unites the possibility and the necessity of crises. The overproduction of commodities due to the punctual, periodical lack of the capacity to consume also comes from the fact that the aim of capitalist production is the seeking of the maximum surplus value. Capital aims to reach this by developing the productive power of labour as if it had no limit, while afterwards the market shows that it cannot keep up with the progress made in production and the accompanying development of productivity.

For Marxism, unlike the underconsumptionists, these crises are nevertheless potentially even greater being periodical and not permanent. The whole social product is involved in the crisis of overproduction, not just surplus value or a part of it, unlike what the underconsumptionists hold. The underconsumptionists more fully realized the possibility of crisis, the limits to capital, than the Ricardian School, but they did not provide the bases, seeking utopian and reactionary solutions instead of envisaging a non-mercantile revolutionary leap into the future of humanity.

#### 4.3.2 The material form of the social product

The material composition of the social product and its mass or volume too are factors in crises. Abstractly speaking, it is of little importance if one or other use value is produced as long as it can be sold at a profit, as the question is posed differently at a social level.

What happens when the most developed capitalist mode of production takes the stage? Capital seeks the maximum surplus value. For a given duration, intensity, quality and complexity of labour, capital obtains more surplus labour, surplus value, by increasing labour productivity.

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*money* is an essential aspect of the commodity and that in the process of metamorphosis it is *independent* of the original form of the commodity.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 132)

<sup>187</sup> “Incidentally, those economists are no better who (like John Stuart Mill) want to express the crisis by these simple *possibilities* of crisis contained in the metamorphosis of commodities - such as the separation between purchase and sale. These definitions which explain the possibility of crises, by no means explain their actual occurrence. They do not explain *why* the phases of the process come into such conflict that their inner unity can only assert itself through a crisis, through a violent process. This *separation* appears in the crisis; it is the elementary form of the crisis. To *explain* the crisis on the basis of this, its elementary form, is to explain the existence of the crisis by describing its most abstract form, that is to say, to explain the crisis by the crisis.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 133)

We should thus note that the valorization/devalorization process leads to a growth in the mass of commodities due to the increase in labour productivity. Besides, everything else being the same, ever increasing productivity is required to obtain an equal supplementary mass of surplus value.

Let us suppose that the equivalent value of living labour is divided into variable capital and surplus value of 100 and that the corresponding mass of commodities (here we suppose a single commodity) is 100.

The situation is initially:

$W = v + sv$  with a mass of 100 units (100 u) with a unit value of 1.

The wage labourers consume 50 units to reproduce their labour power, supposing a constant real wage.

How much does the productivity of living labour have to rise (leaving aside the cost of constant capital and accumulation) to obtain an additional surplus value of 10?

To obtain this result, the value of labour power has to be reduced from 50 to 40 so that the surplus value rises from 50 to 60. The 50 units allowing for the reproduction of labour power must now be only 40, that is 0.8 per unit instead of the initial 1. Therefore, the mass of commodities produced rises to 125. The mass of commodities has therefore grown by 25%. Surplus value has risen 10, a rise of 20% (10/50) but the mass of commodities is it made up of has risen by 50% (25/50). The surplus value in the form of exchange value, the extra value, has risen by 20%, but the surplus value in the form of use value, the extra product, has risen by 50%, that is 2.5 fold.

The consumer does not buy a commodity for its exchange value (except for snobbery), but for its use value. The considerable increase of use values does not *ipso facto* find an outlet. This is not because the equivalent value (the absolute purchasing power) potentially present means that the manifestation will take effect because the needs to be satisfied are related to the use value and its mass.

The proletariat's consumption is limited because any increase would contradict the aim of capitalist production in the maximum surplus value.

The consumption of the capitalists does not necessarily expand in such great proportions as that allowed by the increase in productivity. This increase in consumption by capitalists is also limited by their function not being consumption, even if they let themselves consume something more with the development of capitalist production, but accumulation.

The extra product has risen from 50 to 75 units. For the capitalist class to consume 25 units, it would have to increase its consumption by 50% to maintain the ratio between the surplus value consumed and the surplus value accumulated. If the part of the surplus value consumed stayed the same, the capitalist class would consume 37.5 units against the previous 25. The extra product available for accumulation would therefore be the same at 37.5 units and likewise 50% more. In order to maintain accumulation at the previous level, that is 25 units, the capitalist class would have to double its consumption from 25 to 50 units. The increase in productivity would lower the unit value of commodities by 20% (0.8 instead of 1). Just to maintain the ratio of accumulated surplus value and the surplus value consumed, i.e. the value of the accumulated surplus value is equal to the surplus value consumed (so that in value terms half of 60 for each

fraction and half of 75 units for each fraction seen as use value) the mass of commodities consumed by the capitalist class would have to rise by 50%, and would have to double, increasing by 100% to avoid capital accumulation spiraling out of control. The mere supposition of such an increase being possible means nothing else could be said other than to make the consumption of capitalists the aim of this mode of production. This would be a major error, because it would boil down to denying the existence of capital<sup>188</sup>.

Let us now explore the hypothesis of a more restrictive kind seeing that capital has the vocation of producing the maximum surplus value, of maintaining accumulation at the same level in value (being a value of 25). This perspective supposes an accumulation that is no longer 25 units, but 31.25 units (a value of 25 now obtains 31.25 units against the previous 25 due to the fall in the unit value of the commodities). On the one hand, it would be necessary to increase outlets in the same way as for individual consumption by selling more machines, raw materials, etc. and at the same time considerably increase the unproductive consumption of capitalists. Any increase in the mass of surplus value poses the question of outlets for it on an enlarged basis. This would be another way to interpret the famous quotation on the acceleration of accumulation (if we take the mass as being the mass of use values and not the mass of values). However, any acceleration in accumulation whose objective is the maximum surplus value and which must expect an increase in productivity would pose the question that has just been resolved on a greater scale and with it the perspective of another solution to this contradiction in the overproduction of commodities. What is more, the higher the rate of profit, the greater the rate of accumulation, the higher the level of productivity rises, the greater the threat of the overproduction of commodities<sup>189</sup>.

It took a Turgan-Baranovsky, a descendant of Ricardo, to imagine that capitalist production could function with just one worker running all capitalist machinery so that the whole of the production and the realization of the social product would take place without upsets, by using the pretext that the reproduction schemes did not allow for the appearance of the contradictions between value relations (of exchange value). As these schemes were designed to explain the reproduction process of capital starting from the fundamental concepts of Marxism, and for the first time in the history of economic science, it is the least we can ask of them<sup>190</sup>. But all this leaves unanswered the question of the mass and form of the commodities in the case they are to be used in productive consumption or non-productive consumption (be it individual or collective), a question that becomes increasingly pregnant as the process of valorization /devalorization draws on<sup>191</sup>.

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<sup>188</sup> “Previously the existence of money was denied, in order to show [that there was not] separation between sale and purchase. Here the existence of capital is denied in order to transform the capitalists into people who carry out the simple operation  $C - M - C$  and who produce for individual consumption and not as capitalists with the aim of enrichment, i.e. the reconversion of part of the surplus value into capital.” (Marx, Theories of Surplus Value, Collected Works, Vol. 32, p. 163)

<sup>189</sup> “*Overproduction* is specifically conditioned by the general law of the production of capital: to produce to the limit set by the productive forces (that is to say, to exploit the maximum amount of labour with the given amount of capital), without any consideration for the actual limits of the market or the needs backed by the ability to pay; and this is carried out through continuous expansion of reproduction and accumulation, and therefore constant reconversion of REVENUE into capital, while on the other hand, the mass of producers remain tied to the AVERAGE level of needs, and must remain tied to it according to the nature of capitalist production.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 163-164)

<sup>190</sup> This is still at the stage of a draft version and however contains some errors. The solution to a part of them is presented in “La théorie marxiste des crises” ([www.robingoodfellow.info](http://www.robingoodfellow.info)).

<sup>191</sup> For example, an additional sum of 10 surplus value, an increase of 10/60 or 16%, would be obtained by the value of the labour power falling to 30, or by a unit value of 0.6 and therefore a mass of commodities of 166 would be an increase in the mass of commodities of 166/125, or 33%. The weaker

“The same is true of the *productive power*. On the one hand, the tendency of capital necessarily to raise it to the utmost in order to increase relative *surplus time*. On the other hand, *necessary labour time*, i.e. the worker’s capacity to exchange, thereby diminished. Moreover, as we have seen, relative *surplus value* grows much less relative to the productive power and indeed the proportion [between the increase in surplus value and that in production power] declines the higher the level of productivity already attained. *But the volume of products grows in similar proportion* – if it did not, new capital and labour would be set free which would not enter into circulation. But in proportion to the growing volume of products, the difficulty of utilizing the labour time contained in them also grows, because the demands made on consumption rise.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 351)

The underconsumptionists confuse this difficulty by assimilating a theoretical gap with a structural gap in demand, meaning in the sense that society’s purchasing power would be different *in value* from the value of production. Marx, for example, took it up with Proudhon<sup>192</sup>:

“Proudhon, who certainly hears the bells ringing, but never knows where, derives overproduction from the fact that “the worker cannot buy back his product”. By this he means that interest and profit are charged on it, or that the price charged for the product is in excess of actual value. This proves *d’abord* that he understands nothing of value determination, which GENERALLY SPEAKING, cannot possibly include an item like OVERCHARGE.” Proudhon confuses value and price and therefore imagines that interest and profit are added to the price of the product, as an overcharge on the real value. Proudhon thus finds “that the worker cannot buy back his product, i.e. the fractional part of the total product, which objectifies his *necessary labour*”. He therefore concludes that “*therefore* capital is unable to exchange adequately, *hence* overproduction”.

Now, leaving aside the incorrect understanding of Proudhon of the relation between value and production price, anyway his understanding of the source of overproduction is just as incorrect<sup>193</sup>. Overproduction does not arise from a structural inadequacy between production value and consumer capacity. The contradiction is not mechanical, but dialectical. The contradiction is not resolved permanently, but periodically, in overproduction.

This type of overproduction, the overproduction of commodities, that is commodity capital, is the result of the increase in a labour productivity following limited aims: the maximum valorization of capital, the production of a maximum surplus value, without any consideration for the purchasing power of society, its capacity to absorb the volume or type of commodity produced. The crisis of the overproduction of commodities breaks out in the sphere of circulation during the realization of the social product and causes a fall in the rate of profit. While overaccumulation, the overproduction of capital, is caused by a lack of surplus value, by a sudden fall in the rate of profit, here it is the overproduction of commodities that causes this fall.

Devalorization in both cases is needed to reestablish a situation favourable for capital accumulation. Bourgeois society is therefore sailing between Scylla and Charybdis as a rapid

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increase in surplus value (16% compared with 20%) is only obtained with the acceleration in the increase in productivity (33% instead of 25%). The proletariat still consumes 50 units, but by now buyers for 116 units must be found, which is a greater outlet than the whole of initial production (100) of which half went in wages for the proletariat.

<sup>192</sup> The quotations are from Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, pp. 352, 354 and 354.

<sup>193</sup> “But even apart from that, his CONCLUSION that *this is the cause* of overproduction is false at this level of abstraction.” (Marx, 1857-1858 Manuscripts, Collected Works Vol. 28, p. 362)

accumulation linked to a rise in productivity and so too for the rate of profit (we are in the phases of upturn in the periodical cycle), leads capital along the road to overproduction of commodities and throws society into the quagmire. On the other hand, the sudden fall in this productivity worsens the relations of exploitation and causes a sudden fall in the rate of profit and the paralysis of social reproduction, and so to leads a crisis of overproduction of the overaccumulation type.

Marx's perspective of overproduction of commodities contained the idea that capital's organic movement destabilized the relations between the means of production and the means of consumption and weakened society to the extent that final consumption (here meaning unproductive consumption) and the consumption of means of production became limited<sup>194</sup>. This is not a classic disproportion where too many means of production are produced against a lack of means of consumption, but a necessary contradiction of bourgeois society following its own tendencies<sup>195</sup>. Both types of commodity are overproduced at the outbreak of the crisis. However, it is the tendency to accumulate to valorize capital<sup>196</sup>, to seek the maximum surplus value, either by the expansion of production<sup>197</sup> or the increase in productivity, that leads to a worsening of the ratio between the two types of commodity and forces the outbreak of a crisis of overproduction<sup>198</sup>.

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<sup>194</sup> "Exactly the same is true of the demand created by production itself for raw materials, semi-finished products, machinery, means of communication, and for the accessory materials used in production, such as dyes, coal, tallow, soap, etc. This demand, being effective and positing exchange value, is adequate and sufficient as long as the producers exchange among themselves. Its inadequacy becomes evident as soon as the final product encounters its limit in immediate and final consumption. This *semblance* [of adequate demand], which drives [production] beyond the right proportion, also arises from the essence of capital, which, as will have to be shown in more detail in the analysis of competition, *is* that a number of capitals entirely indifferent to one another, repelling one another. Insofar as one capitalist *buys* from others, buys or sells commodities, they stand in the relationship of simple exchange and do not relate to another as capital. The *correct* (imaginary) proportion in which they must exchange with one another in order to be able to valorize themselves at the end as capital, lies *outside* their relation to one another." (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 349) We can note here too that Marx puts aside for another occasion the detailed analyses of this aspect of crises.

<sup>195</sup> "The criterion of this surplus production is *capital* itself, the scale on which the conditions of production are available and the unlimited desire of the capitalists to enrich themselves and to enlarge their capital, but by no means of *consumption*, which from the outset is inhibited, since the majority of the population, the working people, can only expand their consumption within very narrow limits, whereas the demand for labour, although it grows *absolutely*, decreases *relatively*, to the same extent as capitalism develops." (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 123-124)

<sup>196</sup> "(...) *general overproduction* would occur, not because of *too little* of the commodities to be consumed by the workers, or relatively too little of those to be consumed by the capitalists, [would have been consumed,] but because too much of *both* would have been produced – too much *not for consumption*, but too much to maintain the *correct ratio between consumption and valorization; too much for valorization*." (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 372)

<sup>197</sup> What is more, the accumulation of capital which occurs with the rise in the organic composition of capital reduces even more the share of workers' consumption of the social product.

<sup>198</sup> "What then does *overproduction of capital* mean? [Here Marx is criticizing the economists who admit that there is the overproduction of capital in order better to deny the overproduction of commodities, here we find ourselves in the framework of the critique of a concept which is not the same as the one used for overaccumulation. - ed.] Overproduction of amounts of value destined to produce surplus value (or, if one considers the material content, overproduction of commodities destined for reproduction) – that is, *reproduction on too large a scale*, which is the same as overproduction pure and simple.

Defined more closely, this means nothing more than that too much has been produced for the purpose of *enrichment*, or that too great a part of the product is intended not for consumption as REVENUE, but *for*



These phenomena are of great importance for the development of the tendencies inherent in capital. Going beyond the fact that the production of a maximum surplus value can be translated into the creation of more value and surplus value at the same time (increase in the intensity<sup>199</sup>, the complexity<sup>200</sup> and the quality<sup>201</sup> and the optimization of its standing as national capital in the international division of labour<sup>202</sup>), capital offers a range of responses of a different nature to delay this contradiction and fend off its effects. Here we can classify them according to the type of response they offer:

1. Sale, the realization of the social product, is helped by an increase in credit.
2. Exploration of new outlets and new fields of accumulation overseas, exports and the struggle for the conquest of new markets.
3. Increase in advertising and marketing to stoke up needs and encourage new ones by making commodities appear more attractive,
4. Diversification, creation of new needs, creation of new use values, increase in the means of consumption of luxury goods in the interest they generally allow the employment of a relatively high level of living labour and create a greater mass of surplus value. Seeing that the organic composition is below the average, they also favour a rise in the rate of profit.
5. The rise of use values and needs over time leading to slowing the fall in the unit value of commodities “Revalorization” of use values<sup>203</sup>, change in needs: yesterday’s luxury is today’s necessity.
6. Planned obsolescence of commodities. Organization of the waste of resources.
7. Fixing capital. Accumulation of fixed capital that is not immediately productive (e. g. large works of art, large scale works, canals) and therefore absorbs surplus value without an immediate effect on labour productivity.
8. The increase in a class of consumers that consume without producing, an unproductive class. A class of consumers is necessary. This is what the underconsumptionist theoreticians, notably Malthus, foresaw. This class cannot be the proletariat, which has limited consumption, all the more so as the real wage falls with the progress in capitalist production. A rise in real wages can of course take place, but necessarily within tight bounds. This modern unproductive class is the middle class. Its increase also limits the rate of accumulation, while the demand for consumer goods grows with the consumption of more refined products and luxury goods.
9. Fall in the rate of profit and the rate of accumulation. Accumulation and growth slow as capital puts off these contradictions by reneging on its mission.

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*making more money* (for accumulation), not to satisfy the personal needs of its owner, but to give him money, abstract social riches and capital, more power over the labour of others, i.e. to increase this power. (...) But the statement that there is *too much capital*, after all means merely that too little is consumed as REVENUE, and that more cannot be consumed in the given conditions.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 162-163)

<sup>199</sup> The increase in the intensity of work creates the production of more value in more commodities.

<sup>200</sup> A labour force with the same qualification produces more or less the same value if it is undertaking simple or complex work.

<sup>201</sup> A more qualified labour force has a higher value and produces more value in the same time.

<sup>202</sup> Here we are talking about the law of value in its international context, a subject generally evaded both by official Marxism as by its heterodox adversary. Some contributions for an analysis are available in “La théorie marxiste des crises”. We shall return to this argument in a future text.

<sup>203</sup> For example, the car, which has always had the same function, has never ceased to change in terms of the basic model and options. Its relative price has therefore fallen relatively less even when it has not stayed the same, despite improved productivity and substitution of materials used (which acts both ways).

This path, which Marx foresaw for the capitalist mode of production, is for the development of the productive forces to create a limit and their destruction.

We think that in this work<sup>204</sup> it suffices just to mention the question of the middle class, a question that academic Marxism all the more ignores as it is one of this class's standard bearers. We also have to set aside the questions of fixed capital, foreign trade, credit and various aspects concerning value and use value etc. to be dealt with in another article.

## 4.4 Overproduction against consumption

Marx and Engels, the latter mainly in a work read through and partly written by Marx, expressed themselves unambiguously against an underconsumptionist interpretation of their conception of crises. Those who have later on maintained the opposite are therefore giving voice to their bad faith or to a great misunderstanding of Marx and Engels' theory.

### 4.4.1 Engels's Critique

We can begin with Engels whose interpretation of the matter leaves no room for discussion. He explicitly rejects any temptation to assimilate Marxist theory of crisis with underconsumption.

"It therefore goes without saying that to Herr Dühring the periodical crises in industry have not at all the historical significance which we were compelled to attribute to them.

In his view, crises are only occasional deviations from "normality" and at most only serve to promote "the development of a more regulated order". The "common method" of explaining crises by overproduction is in no wise adequate for his "more exact conception of things", of course such an explanation "may be permissible for specific crises in particular areas". As, for example, "a swamping of the book market with works suddenly released for republication and suitable for mass sale".

Herr Dühring can at any rate go to sleep with the gratifying feeling that his immortal works will never bring on any such world disaster.

He claims, however, that in great crises, it is not overproduction, but rather "the lagging behind of popular consumption ... artificially produced underconsumption ... interference with the natural growth and the *needs of the people*" (!) "which ultimately make the gulf between supply and demand so critically wide".

And he even has the good fortune to find a disciple for this crisis theory of his.

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<sup>204</sup> A detailed analysis will appear in a future text. We however published an appendix to demonstrate now that this analysis is fully dealt with by Marx, a question we shall take up later. Marx only dealt with the question of the middle class as an aside because he hoped to develop the theme in another part of his work. Capital, in all its six books, was only 1/6 of this project:

"OF COURSE, the point here is not yet to analyse overproduction in all its specific characteristics, but only the predisposition to it as it is posited in primitive form in the relation of capital itself. We must therefore also admit the other possessing and consuming classes, etc., which do not produce but live from their revenue, and therefore exchange with capital, constitute centres of exchange for it. We can take them partly into account only in so far as they play a MOST IMPORTANT role in the historical formation of capital (but they are better dealt with in connection with *accumulation*)."

(Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p 345)

But unfortunately the underconsumption of the masses, the restriction of the consumption of the masses to what is necessary for their maintenance and reproduction, is not a new phenomenon. It has existed as long as there have been exploiting and exploited classes. Even in those periods of history when the situation of the masses was particularly favourable, as for example in England in the fifteenth century, they underconsumed. They were very far from having their total annual product at their disposal to be consumed by them. Therefore, while underconsumption has been a constant feature of history for thousands of years, the general shrinkage of the market which breaks out in crises as the result of surplus production is a phenomenon only of the last fifty years; and so Herr Dühring's whole superficial vulgar economics is necessary in order to explain the new collision not by the *new* phenomenon of overproduction but by the thousand-year-old phenomenon of underconsumption. It is like a mathematician attempting to explain the variation in the ratio between two quantities, one constant and one variable, not by the variation of the variable but by the fact that the constant quantity remains unchanged. The underconsumption of the masses is a necessary condition of all forms of society based on exploitation, consequently also of the capitalist form; but it is the capitalist form of production which first gives rise to crises. The underconsumption of the masses is therefore also a prerequisite condition of crises, and plays in them a role which has long been recognized. But it tells us just as little why crises exist today as why they did not exist before<sup>205</sup>.

Herr Dühring's notions of the world market are altogether curious. We have seen how, like the typical German man of letters, he seeks to explain real industrial specific crises by means of imaginary crises on the Leipzig book market – the storm on the ocean by the storm in a teacup. He also imagines that present-day capitalist production must “depend for its market mainly *on the circles of the possessing classes themselves*”.

Which does not prevent him, only sixteen pages later, from presenting, in the generally accepted way, the iron and cotton industries as the most modern industries of decisive importance – that is, precisely the two branches of production whose output is consumed only to an infinitesimally small degree within the circle of the possessing classes and is dependent more than any other on mass use. Wherever we turn in Herr Dühring's works there is nothing but empty and contradictory chatter. But let us take an example from the cotton industry. In the relatively small town of Oldham alone – it is one of a dozen towns round Manchester with fifty to a hundred thousand inhabitants engaged in the cotton industry – in this town alone, in the four years 1872 to 1875, the number of spindles spinning only Number 32 yarn increased from two and a half to five million; so that in one medium-sized English town there were as many spindles spinning one single count as the cotton industry of all Germany, including Alsace, possesses. And the expansion in the other branches and areas of the cotton industry in England and Scotland has taken place in approximately the same proportion. In view of these facts, it takes a strong dose of deep-rooted effrontery to explain the present complete stagnation in the yarn and cloth markets by the underconsumption of the English masses and not by the overproduction carried on by the English cotton-mill owners.” (Engels, Anti-Dühring, Collected Works Vol. 25, pp. 271-273)

A footnote to this text reads

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<sup>205</sup> We can match this passage from Engels with what Marx said about Proudhon's conception (cf. above, the section on the form of the social product) “Under the slave system, masters are not troubled by the fact that the labourers do not compete with them as consumers. (However, *luxury production*, as it appeared in antiquity, is a necessary result of the slave system. Not overproduction but *overconsumption* and *absurd consumption* which in their degeneration to the level of the monstrous and the bizarre mark the downfall of the ancient state system.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 362)

“The “underconsumption” explanation of crises originated with Sismondi, and in his exposition it still had a certain meaning. Rodbertus took it from Sismondi, and Herr Dühring has in turn copied it, in his usual vulgarizing fashion, from Rodbertus.” (Engels, Anti-Dühring, Collected Works Vol 26, p. 273 fn.)

In this passage, Engels therefore opposes the conception that wishes to see modern crisis (at the time of writing they were 50 years old as we can go back to 1825 for the first of this type) as crises linked to the underconsumption of the masses instead of crises of overproduction. It was not even a question in this case of opposing overaccumulation to underconsumption as in the book (Anti-Dühring) we can only find quotations of overproduction of commodities which we have already given in Chapter 2: The Representations of Political Economy. This means that the contradiction put forward comes from the form of the social product, value relations (exchange value) being left in the background. Besides, underconsumption is not typical of capitalist mode of production, but occurs in all class societies. Underconsumption also is the basis of crises in the sense that it is a “necessary precondition”, but is unable to explain their cause. This means that the modern crisis is clearly expected by the existence of a society divided into classes, but that this characteristic is not enough to explain it. For crises to appear under the form of crisis of overproduction, the capitalist mode of production must not only exist but must also be the most developed. In this case, capital has really subordinated labour with machinery. The soaring of productivity, the rise in relative surplus value, capital accumulation and the accompanying growth in the mass of commodities only face limits inherent in capitalist production.

Is it still possible to have doubts about what Engels called underconsumption. Was everyone taking about the same thing?

Engels’s note is equally clear. For him, as for Marx, reference is made to Sismondi, and so the target is the same. The bourgeoisie’s economic science reached its peak with Ricardo and Sismondi. Moreover, the latter had some doubts as to the perennial nature of the capitalist mode of production. We therefore have reached the high point<sup>206</sup> of this concept which later declined into vulgar forms to end up even in the ranks of Marxism. An underconsumptionist type of critique now forms part of the vademecum of social democratic thought<sup>207</sup> (from the left through the leftists as far as anti globalizationists) drawing its inspiration from Keynes and Malthus or from a revised, corrected, shorn, falsified and aseptic Marx. How can anyone fail to see Dühring’s thought in many declarations and analyses of modern reformism?

Engels also made reference to a period like the XVth Century in England when wages rose. Marx thought of such a period when he dealt with the accumulation of capital and its propension to encourage wage rises to maintain the organic composition of capital at the same level. We have

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<sup>206</sup> Engels, like Marx did not beat about the bush (all the more so as the chapter quoted from was written by Marx!) “Herr Dühring makes a great deal of noise over his discovery that “economic science” is “an enormously modern phenomenon”. In fact, Marx says in *Capital*: “Political economy ... as an independent science, first sprang into being during the period of manufacture” and in the *Contribution to the critique of political economy*, dates from William Petty in England and Boisguillebert in France and closes with Ricardo in the former country and Sismondi in the latter. Herr Dühring follows the path thus laid down for him, except that in his view *higher* economics begins only with the wretched abortions brought into existence by bourgeois science after the close of its classical period.” (Engels, Anti-Dühring, Collected Works Vol 25, pp. 211-212)

<sup>207</sup> The appearance on the scene of the barbarism of “socialisme de l’offre” [Literally “supply socialism” a phrase of French (socialist) President François Hollande, 2012 -- ed.] marked in France a notable change, at least in words, since Marx was someone from far in the past, and now Keynes was sent off to join him, but we are now on the same side as Say, Bastiat and other vulgar economists.

already demonstrated that this was the framework he used to simplify his presentation of absolute overaccumulation.

Consequently, wages being high or low in no way changes the fact that the consumption of the exploited class is a basic condition for the existence of class societies. Therefore the question is not so much that of a lack of demand (in terms of exchange value) as that of the material composition of the mass of the social product, use values and their volume and the class relations which condition them. Overproduction is the outcome of the contradiction between exchange value and use value, the contradiction between the drive to exchange value (in the specific form of seeking the maximum surplus value) and the mass of commodities produced, which is the corollary, with the renewal of this contradiction in the sphere of circulation during the realization of the surplus value and the social product<sup>208</sup>. These factors led with the most developed capitalist production to crises of overproduction of commodities (starting in 1825).

#### 4.4.2 Marx's Critique

Let us continue with Marx.

“It is sheer tautology to say that crises are caused by the scarcity of effective consumption, or of effective consumers. The capitalist system does not know any other modes of consumption than effective ones, except that of *sub forma pauperis*, or of the “thief”. That commodities are unsaleable means only that no effective purchasers have been found for them, i.e., consumers (since commodities are bought in the final analysis for productive or individual consumption). But if one attempted to give this tautology the semblance of a profounder justification by saying that the working class receives too small a portion of its own product and the evil would be remedied as soon as it receives a larger share of it and its wages increase in consequence, one could only remark that crises are always prepared by precisely a period in which wages rise generally and the working class actually gets a larger share of the part of the annual product which is intended for consumption. From the point of view of these advocates of sound and “simple” (!) common sense, such a period should rather remove the crisis. It appears, then, that capitalist production comprises conditions independent of good or bad will, conditions which permit the working class to enjoy that relative prosperity only momentarily, and that always only as the harbinger of a coming crisis.” (Marx, Capital Vol II, Collected Works Vol. 36, pp. 409-410)

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<sup>208</sup> “Other economists, like Malthus, admit the distinction between productive labourers and unproductive, but prove to the industrial capitalist that the latter are as necessary to him as the former, even for the production of material wealth.

To say that production and consumption are identical or that consumption is the purpose of all production is the precondition of all consumption, is of no help in this connection. What – apart from the tendentious purpose – is at the bottom of the whole dispute is rather this:

The labourer's consumption on the average is only equal to his production costs, it is not equal to his output. He therefore produces the whole surplus for others, and so this whole part of his *production* is *production for others*. Moreover, the industrial capitalist who drives the labourer to this *overproduction* (i.e. production over and above his own subsistence needs) and makes use of all the expedients to increase it to the greatest extent possible – to increase this relative *overproduction* as distinct from the necessary production – directly appropriates the surplus product for himself. But as personified capital he produces for the sake of production, he wants to accumulate wealth for the sake of capital, that is, an agent of capitalist production, what matters to him is exchange value and the increase of exchange value, not use value and its increase. What he is concerned with is the increase of abstract wealth, the rising appropriation of the labour of others.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 179) Here we can see that Marx speaks of surplus and surplus product, alluding to the material form, the use value, of the surplus value and in a general manner to the material form of the social product.

The champions of commonsense, the underconsumptionists, only saw the crisis from the point of view of value relations and considered that there was a (permanent) disequilibrium between the value of production and purchasing power. For Marxism, it is not so much this disequilibrium that is the matter as the forms of the social product. This false representation of the underconsumptionist theory holds a grain of truth. On the one hand, the contradiction between commodity and money opens up the possibility of a general crisis, while on the other hand the mass of the commodities produced and the differences in use values, seeing they are for unproductive consumption (individual or collective – the intrinsic limitation on workers' consumption therefore raises a particular difficulty to be resolved) or for productive consumption, pose the question of market growth and outlets. If we add here the possibility of disproportions between the different branches of production or major categories of capital (e.g. fixed and circulating capital) we would have a better picture, although this type of crisis does not stand as a general crisis. These crises are characterized by the overproduction of commodities. Here it is overproduction which causes the rate of profit to fall, while, in the case of overaccumulation, the opposite is true. Purchasing power, taking into account the antagonistic relations between classes, the structural limitation of workers' consumption (due to seeking the maximum surplus value), the limits linked to the accumulation of surplus value, does not follow the increase in labour productivity and the rise in production<sup>209</sup>. The consumption of capitalists, despite their growing urge to go on a spending spree<sup>210</sup>, is not enough to ward off this difficulty.

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<sup>209</sup> “(...) the output level is by no means arbitrarily chosen, but the more capitalist production develops, the more it is forced to produce on a scale which has nothing to do with the IMMEDIATE DEMAND but depends on the constant expansion of the world market. (...) He overlooks the fact that the commodity has to be converted into money. The DEMAND of the worker does not suffice, since profit arises precisely from the fact that the DEMAND of the workers is smaller than the value of their product, and that it [profit] is all the greater the smaller, relatively, is this DEMAND. The DEMAND of the CAPITALISTS among themselves is equally insufficient. Overproduction does not call forth a *lasting* fall in profit, but it is *lastingly periodic*. It is followed by periods of underproduction etc. Overproduction arises precisely from the fact that the mass of the people can never consume more than the AVERAGE QUANTITY OF NECESSARIES, that this consumption therefore does not grow correspondingly with the productivity of labour.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 101-102)

“The conditions of direct exploitation, and those of realizing it”

“As soon as all the surplus labour it was possible to squeeze out had been objectified in commodities, surplus value has been produced. But this production of surplus value completes but the first act of the capitalist process of production – the direct production process. Capital has absorbed so and so much labour. With the development of the process, which expresses itself in a drop in the rate of profit, the mass of surplus value produced thus swells to immense dimensions. Now comes the second part of the process. The entire mass of commodities, i.e., the total product, including the portion which replaces the constant and variable capital, and that representing surplus value, must be sold. If this is not done, or done only in part, or only at prices below the prices of production, the labourer has indeed been exploited, but his exploitation is not realized as such for the capitalist, and this can be bound up with a total or partial failure to realize the surplus value pressed out of him, indeed even with the partial or total loss of the capital. The conditions of direct exploitation, and those of realizing it, are not identical. They diverge not only in place and time, but also logically. The first are only limited by the productive power of society, the latter by the proportional relation of the various branches of production and the consumer power of society. But this last-named is not determined either by the absolute productive power, or by the absolute consumer power, but by the consumer power based on antagonistic conditions of distribution, which reduce the consumption of the bulk of society to a minimum varying within more or less narrow limits. It is furthermore restricted by the tendency to accumulate, the drive to expand capital and produce surplus value on an extended scale.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp. 242-243)

<sup>210</sup> This comes into conflict with their desire for accumulation which is their social function as personification of capital. The consumption of capitalists grows all the more as they have to show off their wealth, but without threatening accumulation.

External outlets, the construction of large works spreading over many years, the revalorization of use values by providing them with extra characteristics for the creation of new ones (e.g. luxury articles) and, last but not least, the creation of a class of unproductive consumers who consume without selling, are among the responses which lead capitalist production to this recurrent threat<sup>211</sup>.

## 4.5 “Labour funds” or impossible underconsumption

### 4.5.1 Variable and advanced capital

The supporters of underconsumption, but it holds equally true for their opponents to the extent that they come down to denying the nature of crises and, playing down their potential, completely hide the fact that the consumption of the proletariat, wage expenditure, does not realize part of current production, but a part of past production.

The underconsumptionist sees that consumption will be higher for a higher wage and so the factors of crisis would be lessened. What is difficult is the realization of the surplus value and, within it, the fraction used for accumulation.

The result of the production process leaves a commodity capital with a value  $w$  symbolized as  $c + v + sv$ , that is, the sum of constant capital, variable capital and surplus value.

We thus have:  $w = c + v + sv$

The underconsumptionist sees that the capitalist reproduces his own constant capital and gets back the variable capital just as the proletarian spends his wages on means of consumption. If a difficulty arises, it is on the level of surplus value. Consequently, the lower it is, the smaller and the less extensive the difficulty will be. Accordingly, the higher the wage the greater the consumption and the risk is pushed aside. This is the policy of the champions of commonsense.

But Marxism says nothing of the sort. It considers that constant capital (the value of the means of production) and variable capital (which becomes the proletarians' wages) are **advanced**. This advanced capital, be it either constant or variable, already has a materially existing counterpart in society. As regards constant capital, it is quite clear that work cannot be undertaken without means of production. Consequently, constant capital comes face to face with the proletarian in his company<sup>212</sup>. However, the counterpart of variable capital exists too, while its precise material form and exact size are of little importance. This counterpart does not exist in a given company (or does so only partially if part of a specific production or when a part of the wage is paid in nature) as the means of production are, but in the whole range of companies. The proletarian is not the partner of capital where he brings along his labour power (while the capitalist puts in the

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<sup>211</sup> “As simple reproduction is a part, the most important one at that, of all annual reproduction on an extended scale, this motive [the capitalist's individual consumption – ed.] remains as an accompaniment of and contrast to the self-enrichment motive as such. In reality the matter is more complicated, because PARTNERS in the loot – the surplus value of the capitalist – figure as consumers independent of him.” (Marx, Capital Vol. II, Collected Works Vol. 36, p. 410)

<sup>212</sup> Marx distinguishes objective conditions of labour and subjective conditions of labour “(...) whether the commodities which are the product of labour can as such become elements of productive capital once again, depends on whether the nature of their use values permits them to reenter the process of production—be it as objective conditions of labour (tools and material) or as subjective conditions of labour (means of subsistence of the worker) (in other words [as] elements of constant or of variable capital)” (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 365)

means of production) and who shares out the value of his labour power with his counterpart and can consider himself to be fooled because he got no interest, that is the average profit, for his contribution<sup>213</sup>. In fact, the capitalist class holds the monopoly of capital either in the form of money or in the form of the means of production (which in part could be shared out with landed property), or commodities.

Classical economists, at the time when political economy was a growing science, were therefore fully conscious of this. They called this social counterpart of variable capital “labour funds” or “wage funds”. Variable capital, just like constant capital, referred to past labour. Marx made a bitter criticism of the “labour fund” both in *Capital* and the *Theories of Surplus Value*. Nevertheless, this criticism never questioned, quite the contrary, the idea past labour exists which allows for the payment of the labour force. Variable capital is like the constant capital of the capital advanced by the capitalist.

#### 4.5.2 The criticism of the theory of labour funds

What Marx criticized in the theory of labour funds was the idea that there is a determined, fixed fraction of the social product which rigidly determines wages. The wage would be equal to the value of the means of consumption. This, for the classical economists, would be determined by the sum of wages and thus of variable capital<sup>214</sup>. Marx rejected this rigid, formalistic and mechanical conception, but in no way did he reject the idea that variable capital is advanced. It is advanced in most cases in the form of money (there can be forms of payment in nature) and it clearly embodies past labour, and it is of little importance to see its material determination.

It does not have to correspond exactly with what the proletarians then purchase. For example, if the material form of this past labour consists of too large a part of luxury goods, they could be exported while the elements required for the reproduction of the labour force could be imported. It would also be possible to think that they were means of production and that foreign trade was undertaken to obtain the means of consumption bought by the proletarian, or, again, that an exchange has been made between past and present labour to the extent that accumulation absorbs this excess of means of production and would provide means of consumption in exchange.

Marx showed in his criticism of Ricardo, who thought that there would be a fund for proletarians thrown out of production by machinery; so it is absurd to think that the “fund” thus set free would have to be spent as variable capital<sup>215</sup>. The necessary means of consumption are not

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<sup>213</sup> “Mr. Bastiat displays immense wisdom when he claims that the *wage* is an inessential, merely outward form; a form of association which *as such* has nothing to do with the economic relation of labour and capital. If the workers were so well off, he says, as to be able to wait for the completion and sale of the product, the wage system, wage labour, would not hinder them from concluding a contract with the capitalist just as advantageous as that which one capitalist makes with another.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 248)

<sup>214</sup> “As social capital is only a variable and fluctuating fraction of social wealth, the labour fund [fonds de salaire] which is only a part of this capital can only be a fixed and predetermined part of social wealth. On the other hand, the relative size of the labour fund depends on the proportions into which social capital is divided between constant and variable capital, and this proportion, as we have already seen and which we shall demonstrate again in more detail in the following chapters, does not remain the same during the course of accumulation.” (Marx, *Le Capital* Vol. I, *La Pléiade* Tome I, pp. 1119-1120) [This passage is not in the English translations of *Capital* Vol. I. It would have appeared on page 608 of the Collected Works Vol. 35 edition – ed.]

<sup>215</sup> Ricardo’s conception is even more rigid: “Ricardo imagines quixotically that the entire bourgeois social mechanism is arranged SO NICELY that if, for instance, 10 men are discharged from their work, the



divided into two impenetrable, fixed classes; one for the workers and the other for capitalists and the unproductive classes. This would mean that the consumption of the other classes could increase, while that of the proletariat would decrease, despite the fact that unemployment benefit and other measures could provide for the consumption of the workers forced back into the industrial reserve army. Besides, a part of these means of consumption could be transformed into means of production (e.g. grain used for animal feed) or be exported. Lastly, these means of consumption are available to take part in the accumulation of capital<sup>216</sup> which supposes an extension of variable capital<sup>217</sup>, even if the latter increases proportionally less rapidly than constant capital.

As we can see, the critique of the Ricardian point of view does not question the idea that it is just its own past labour that allows the purchase of the labour power of the productive class.

In any case, the money advanced by the capitalists to pay the wages of the productive class flows back into their pockets<sup>218</sup> by realizing a fraction of the past social product. The capitalist class holds the monopoly of the means of production, consumption and money. The capitalist advances capital to purchase means of production, that is, constant capital, just as much as the money for wages, that is, variable capital. The end of the production process leaves him with the whole of the social product, that is the product composed of the value equal to constant capital + variable capital + surplus value. He also keeps the fixed capital and different stocks of material that have not been used up in the production process, but which form part of the advanced

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means of subsistence of these workers – now set free – must definitely be consumed *d'une façon ou d'une autre* [one way or another] by the identical 10 men and that otherwise they could not be sold; as if the mass of semi-employed or completely unemployed were not for ever crawling around at the bottom of the society – and as if the capital existing in the form of means of subsistence were a fixed amount.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 186)

<sup>216</sup> An operation which favours new arrivals more than the dismissed workers themselves.

<sup>217</sup> “The labourers that are thrown out of work in any branch of industry can no doubt seek for employment in some other branch. If they find it, and thus renew the bond between them and the means of subsistence, this takes place only by the intermediary of a new and additional capital that is seeking investment; not at all by the intermediary of the capital that formerly employed them and was afterwards converted into machinery.” (Marx, Capital Vol. I, Collected Works Vol. 35, p. 443)

<sup>218</sup> This return, just as the forms of it are equally likely to cause difficulties (hoarding and variations in savings can lead to upsets). Savings are the opportunity to find new ways to trick the proletariat. His savings are eaten away by inflation and when he takes the financial advisor's advice, he puts them into fictitious capital (bonds and shares), which are the biggest losers in the period of crisis, providing that the bank itself does not go bankrupt with his deposit account – in France the state guarantees a maximum €80,000 (UK £75,000) for each account. This is not the case in every country. The bourgeoisie uses figures on the level of savings to help it see how much it can cut wages with the least damage, decide on what part of social spending (unemployment benefit, pensions, sickness and old age) can be left entirely in the proletariat's hands and so relieve institutions of the burden. Savings like the generalization of bank deposits also helps the domination of capital over the proletariat and therefore rebounds on it. The availability made in the banking system of the equivalent of variable capital helps the bank to offer credit, and therefore the accumulation of capital and the hunting of plus value. Savings may contribute to inflate fictitious capital for then, when they deflate, favours the shearing of sparing sheep. If it is not the capitalist, then it is the state that gets its hands on the dough. In any case, the proletarian has saved for his enemy, the capital. The excitement of the proletariat's consumption is nevertheless a necessity for the capital. Marx even considered “it is precisely this aspect of the relationship between capital and labour which is an essential moment of civilization and upon which rests the historical justification, but also the present power of capital.” It is again the opportunity to intervene in the time for revolving credit and other consumer credit which has soon pushed a part of the proletariat into the abyss of excessive debt, while at the same time creating a whole parasitic horde of bankers, financial intermediary consultants, public relations staff etc. (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 217)

constant capital. Now he has to realize not only the surplus value, even if the specific question of the money required for its realization is important, but of the entire social product.

Let us imagine the case of a company which accumulates all its surplus value and the manager is paid a salary, so the salary can be considered as variable capital. Here we have a case of the purest process of production and reproduction. The realization of the product can only take place if the capitalist class relaunches itself again on a larger scale into enlarged reproduction by seeking the maximum surplus value.

The proletariat will spend its wages over time and the money will flow back into the pockets of the capitalist class, but doing so only the fraction of past labour corresponding to the cost of labour power is realized. There is also a contradiction in the reproduction schemes of Marx's Capital Volume II, which rarely draws attention. Marx has the present production consumed because he is dealing with simple reproduction and the past product is accumulated surplus value. This shows once again that these schemes were drafts and therefore bore the mark of technical imperfections, not theoretical ones as many commentators have wished to believe, following Rosa Luxemburg's example.

Clearly the conception that variable capital is like constant capital in being advanced capital that refers back to past labour cancels underconsumptionist theories, provided that they stress value relations (exchange value) in the explanation of crises. The level of wages, be they high or low, has no effect on the proletariat in the realization of the present social product. On the other hand, as Marx's teaching model for absolute overaccumulation shows, it would have an influence on the rate of profit, as if the rise in wages was sufficiently high, it would cause a fall in the rate of profit. As later on, the realization of the entire social product depends on the accumulation of the whole of capital and what determines accumulation and the subsequent realization is the rate of profit, a sudden fall in the rate of profit would cause a crisis of overproduction of capital, or overaccumulation.

The crisis spreads to involve the whole of capital value and not just the fraction of it in surplus value. This is why we can better understand why this aspect of Marx's theory has been met with silence because it allows the minimization of the dimension and the potential of crises. As long as they involve only surplus value, that is the accumulated, surplus value, one can also deduce from the law of the tendency of the rate of profit to fall that their relative intensity would tend to fall, seeing that surplus value only represents a decreasing fraction of the whole of the social product (if  $sv/c+v$  falls, the same is true for  $sv/c+v+sv$ ). What is more, if the rate of accumulation of surplus value falls with the fall in the rate of profit, the crisis derived directly from the realization of accumulated surplus value would see their relative intensity decrease still further. These theories postulate, as we have seen, the existence of a "stable base" composed of constant and variable capital already in operation which can be realized automatically. If we add on the surplus value used to buffer crises, there we have the exact opposite of Marxist catastrophism. On the other hand, the path of revisionism and reformism lies open and this representation provides it with a theoretical basis.

## 4.6 Underconsumptionism in the text

### 4.6.1 Underconsumptionism's final shot

We have gone to great lengths to show how Marxism is not underconsumptionist. We have also seen the specificities that have been ignored or hidden by the two tendencies of academic Marxism concerning the overproduction of commodities. We can now comment on one of the

passages that is used as a foothold by the theoreticians of underconsumptionism to justify their analysis.

What does this so frequently quoted passage say?

“The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 483)

A better understanding can be gained from reading the whole passage.

“Let us suppose that the whole of society is composed only of industrial capitalists and wage workers. Let us furthermore disregard price fluctuations, which prevent large portions of the total capital from replacing themselves in their average proportions and which, owing to the general interrelations of the entire production process as developed in particular by credit, must always call forth general stoppages of a transient nature. Let us also disregard the sham transactions and speculations, which the credit system favours. Then, a crisis could only be explained as the result of a disproportion of production in various branches of the economy, and as a result of a disproportion between the consumption of the capitalists and their accumulation. But as matters stand, the replacement of the capital invested in production depends largely upon the consuming power of the non-producing classes; while the consuming power of the workers is limited partly by the fact that they are used only as long as they can be profitably employed by the capitalist class. The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp. 482-483)

#### 4.6.2 Explanation of the text

“The ultimate reason” means therefore in the final analysis. Marx had cleared out his analysis by reducing society to capitalists and wage labourers, eliminating credit etc., to concentrate on only a limited sphere, the “core” of capitalist production. Our text does nothing else as it concentrates on the basis of the crises. Marx therefore does not take into consideration at this point all the determinants of crises. What he aims at here is their absolute basis, recalling the general framework in which these crises are inserted<sup>219</sup>.

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<sup>219</sup> A little further on Marx returns to the subject to show that what appears as a credit crisis or a monetary crisis has its basis, its last resort, located in the contradictions of capitalist production.

“In a system of production, where the entire continuity of the reproduction process rests upon credit, a crisis must obviously occur – a tremendous rush for means of payment – when credit suddenly ceases and only cash payments have validity. At first glance, therefore, the whole crisis seems to be merely a credit and money crisis. And in fact it is only a question of the convertibility of bills of exchange into money. But the majority of these bills represent actual sales and purchases, whose extension far beyond the needs of society is, after all, the basis of the whole crisis.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 489)

Marx introduced this passage with the following dedication to bourgeois reformers and bourgeois and petit bourgeois socialists too:

“Ignorant and mistaken bank legislation, such as that of 1844-45, can intensify the money crisis, But no kind of bank legislation can eliminate a crisis.” (Marx, Capital Vol. III, Collected Works Vol 37, p. 489)

“Real crises”: so we are not talking about contingent crises, the epiphenomena that only have a transitory character, partial crises and even crises which remain limited to a particular sphere, but about basic and general crises which affect the whole of capitalist production.

“Absolute consuming power” means the theoretical, potential power to consume. Theoretically speaking, power to consume is potentially equal to the value of production, that is  $c + v + sv$  (we are leaving out the importance of credit, variations in wealth and savings). There is therefore a potential consumption that is equal to this production which allows for its realization. Ricardo and Say, and James Mill before them, used this fact to state that production creates its own demand and finds its own outlets<sup>220</sup>. Marx demonstrates the possibility of a general crisis by showing that a separation between sale and purchase is possible and that the realization<sup>221</sup> of the surplus value of the social product, the transition from commodity capital to money capital and, in the same way, from money capital to productive capital, are not automatic. The potential difficulties in realization therefore concern the whole social product ( $c + v + sv$ ) and not just a part of it ( $sv$  or part of the  $sv$ ).

“drive ... to develop the productive forces” means that the goal of capitalist production is to seek the maximum surplus value and by doing this, we have seen, tends to overproduce (overaccumulation or overproduction of commodities). The rate of profit rises during the upswing of the cycle and the mass of commodities expands under the effect of the increase in productivity, which is all the larger as relative surplus value grows.

“always remains the poverty and restricted consumption of the masses”. We can leave aside, as we have already shown, the possibility that whatsoever part of the annual social product (money capital, productive capital, commodity capital, be it that they are used as means of production or means of consumption, are all the monopoly of the capitalist class) is realized by the proletariat. Therefore, the restricted consumption of the masses does not lie at the basis of an absolute limitation to the realization of production with the corollary, the vector to improve the situation being the rise in wages. Realization does not take place on its own and that makes the general crisis possible. But the criticism does not stop here. Marx also showed that that the material composition (following on the commodities going for productive or non-productive consumption) and the mass of the social product (the volume of commodities produced) is the source of crises and that these are dictated by the goals followed by the capitalist mode of production. Therefore it is not the underconsumption of the masses in itself, an underconsumption which existed in other class societies, but the underconsumption that results from the capitalist mode of production. We must understand that it is the form itself, the composition and the mass of this production, that poses the difficulties and that this is the result of social conditions, of capitalist relations of production, of the relations between classes and the limited objectives of this production in the valorization of capital, the seeking of the maximum surplus value. The seeking for the maximum surplus value exposes society to an excess surplus product.

### 4.6.3 Rate of surplus value and consumption

When Marx remarked to the champions of commonsense that, before the crises, capital was in the expansive phase of its cycle, the rate of profit was high, real wages rose due the effect of the

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<sup>220</sup> Ricardo and Say as well as Sismondi ignored that  $c$ , constant capital, formed part of the value of the social product. We cannot make a definitive argument against them in that regard.

<sup>221</sup> The transformation of commodity capital into money capital constitutes for capital the transition from necessity to freedom, the hardest of dialectical transitions.

upturn in accumulation which also reabsorbed the industrial reserve army, he did not say as much as that therefore the rate of surplus value fell.

He said that the working class obtained a greater part of the annual fraction of the social product **destined for consumption**. That means that the working class obtained a greater part of the value represented by unproductive consumption.

In other terms, the productive class improved its relative position in relation to other classes seen as a whole. This does not mean that the proletariat improved its relative position in relation to capital. This would be contrary, excepting occasional cases, to any Marxist perspective.

Let us divide the part of the social product corresponding to living labour as follows:

$$w = v + sv \text{ (variable capital and surplus value)}$$

If we introduce the consumption of the unproductive classes ( $v'$ ) we obtain:

$$w = v + v' + sv' \text{ with } v' + sv' = sv$$

In this case, the fraction of social product destined for consumption is equal to  $v + v'$

Consequently, if the ratio  $v:v'$ , the ratio of variable capital to what represents the consumption of unproductive classes within the capitalist mode of production (middle class, capitalists, land owners) grows, we cannot draw a conclusion as to the change in the ratio  $sv:v$ .

This last case is equal, taking into account additional elements that we have taken into consideration, to:

$$(sv' + v'): v.$$

This ratio can rise while the other ( $v':v$ ) falls.

Let us give an example.

$$1^{\text{st}} \text{ period: } w = 50 \text{ } sv' + 20v' + 30v$$

$$2^{\text{nd}} \text{ period: } w = 60 \text{ } sv' + 15v' + 25v$$

The values here only express relative values as we can clearly envisage (and it is the effective tendency too) that, with accumulation, the absolute values in the 2<sup>nd</sup> period would be higher than in the 1<sup>st</sup>.

In our example, the rate of surplus value has risen from 70:30 (2.33) to 75:25 (3) while the ratio of consumption has risen from 30:20 (1.5) to 25:15 (1.66). Despite being more highly exploited, the productive class obtains a greater share of the social product destined for consumption. All this corresponds to an acceleration in accumulation and a rise in the rate of accumulation which tendentially supposes a development that favours the rate of profit (which is what happens in the expansive phase of the cycle).

#### 4.6.4 Change in the relation between the classes

Supposing that there is only a proletariat and capital, with all surplus value therefore being accumulated, the rate of profit will tend to rise following the search for the maximum surplus

value, the mass of commodities, including those which take the form of fixed capital swell with the rise in productivity and both the mass and the rate of surplus value increase. The mass of accumulated surplus value grows and the mass of means of production produced and accumulated even more so. An immense tendency to overproduction is set up in line with the essence of capital, the search for the maximum surplus value and the continuous seeking it through accumulation, the tendency to produce for production's sake, to develop the productive forces as if there were not limit beyond the absolute power of consumption of society<sup>222</sup>.

As we have seen, if we remain at the level of the relation between capital and the productive class, the tendency of capital is to reduce the share of the productive class in the social product by raising the ratio between surplus labour and necessary labour and the ratio between constant capital and variable capital. This means that the part that is produced in the form of means of consumption diminishes relatively, even if its mass increases, while the share which should appear under the form of means of production increases not only in value but also in volume. If this state of affairs continues, the phenomenon can only become more acute and lead rapidly to overproduction.

This machine which runs out of control and whose overproduction (whatever its form) threatens all around, has to be slowed down, hence the necessity for a class that consumes without producing. This class cannot be the proletariat, because surplus value just depends on the fact that it cannot offer an adequate demand. This class cannot be the bourgeoisie either, if not partially. To the extent that it affirms itself socially as capital grows, it has to exhibit its wealth only to obtain credit, and the production of luxury goods fills this need, but its capacity to consume remains limited due to its importance and this tendency cannot be interwoven with its basic function, which is the accumulation of surplus value<sup>223</sup>. If tendencies of overconsumption appear in the bourgeoisie, they are indicators of its historical decline.

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<sup>222</sup> The same is true for the productive power. On the one hand, capital necessarily has the tendency to increase the most to increase relative surplus time. On the other hand, it simultaneously reduces necessary labour time, that is to say, the exchange capacity of the workers. Besides, as we have stated, Marx does not push to the full the analysis of the contradiction of valorization/devalorization: "Here we are only concerned with the way in which the *process of valorization* of capital is simultaneously its *process of devalorization*. We are not discussing the extent to which, while it has the tendency *boundlessly to expand the productive forces*, it also makes one-sided, limits, etc., the *main force of production*, *man* himself, and tends in general to restrict the productive forces." (Marx, 1957-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 351)

He also made this remark concerning one of the aspects of devalorization: "We are entirely leaving out of account here that element of crises which arises from the fact that commodities are reproduced more cheaply than they were produced. HENCE the depreciation of the commodities on the market." (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 163)

<sup>223</sup> "It must never be forgotten that the production of surplus value – the reconversion of a portion of it into capital, or the accumulation, forms an integrate part of this production of surplus value – is the immediate purpose and compelling motive of capitalist production. It will never do, therefore to represent capitalist production as something which it is not, namely as production whose immediate purpose is enjoyment or the manufacture of the means of enjoyment for the capitalist. This would be overlooking its specific character, which is revealed in all its inner essence." (Marx, Capital Vol. III, Collected Works Vol. 37, p. 242)

We are therefore far from the creation of shareholder value, as petit bourgeois socialism foolishly proclaims when it readopts in a critical (moral) and acritical way the financial theories of the bourgeoisie which merely express the professionalism of the financial capitalist and the separation between property and management.

In any event, another class, which has a passion to consume, to spend and not to accumulate, must take over the reins to slow down the monster without deviating it from its goal of the production of the maximum surplus value. This class is the middle class, an unproductive class which embodies the passion for consumption and spending compared with the capitalist class and managers whose function is to accumulate.

This class stimulates above all the production of necessary means of consumption by consuming a part of the surplus value, and consequently favours the lowering of the value of labour power (its own too) and then limits the share of accumulated surplus value, thereby making capitalist production more stable by limiting its excesses. Apart from the middle classes, investments in fixed capital whose effects do not have an immediate effect on productivity (large infrastructural investments, canals etc.) are other ways to dissipate surplus value.

The tendential fall in the rate of profit is also part of this perspective. Capital has been worn out by regular crises and has to lower its level, recognizing that it is surpassed, reneging its mission, partly abandoning what was once its determination, outliving itself by developing parasitic tendencies. The fall in the rate of profit comes to the fore in these circumstances.

Let us now return to the question of the improvement of the situation regarding the proletariat in comparison with the other classes. Accumulation favours the tendency to overproduce while the working class obtains a greater share of the product destined for consumption. We can therefore deduce from this situation that the demand of unproductive classes diminishes relatively speaking.

This perspective contains two distinct situations:

On the one hand, the phase of the cycle, which sees the recovery of activity, then an upturn in activity etc., in short, the expansive phase of the cycle where the growth of the share of the proletariat (and the middle classes) in the part of the social product destined for consumption results from the increase in accumulation and thus the relative contraction of spending by the bourgeoisie, which is absorbed by its passion to accumulate.

On the other hand, the final phase of the cycle when accumulation slows in the whirlpool of overproduction and speculation, being confronted with the difficulties in the production and realization of surplus value, while the bourgeois mounts an attack on the other classes, starting with the middle classes<sup>224</sup>. What it has gained with surplus value and the rate of profit, it risks

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<sup>224</sup> “Since one production sets another production in motion and hence creates consumers for itself in the *alien* capital’s workers, the demand of the working class posited by production itself *appears* to each individual capital as an “ADEQUATE DEMAND”. On the one hand, this demand posited by production itself drives on production beyond the *proportion* in which it would have to produce with regard to the [effective demand of] workers, and must do so. On the other hand, the demand *EXTERIOR TO THE DEMAND OF THE LABOURER HIMSELF* disappears or shrinks, hence the COLLAPSE occurs.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, pp. 346, 349)

“The incomes of the unproductive classes and of those who live on fixed incomes remain in the main stationary during the inflation of prices which goes hand in hand with overproduction and overspeculation. Hence their consuming capacity diminishes relatively, and with it their ability to replace that portion of the total reproduction which would normally enter into their consumption. Even when their demand remains nominally the same, it decreases in reality.” (Marx, Capital Vol. III, Collected Works vol. 37, p. 490)

losing to the consumption of the subordinate classes. The middle class is initially more greatly affected than the proletariat and its movement announces the entry onto the scene of the latter<sup>225</sup>.

## 4.7 Marcel Roelandts' conversion to underconsumptionism

### 4.7.1 Continuity in the method, absurdity in the reasoning

Marcel Roelandts promised us a synthesis of the two opposing tendencies in political economy in the name of the theory of Marx. We have already shown that as far as the rate of profit and accumulation are concerned, he has maintained the worst aspects of this school. We can now follow the highways and byways of his underconsumptionist conception, the school he finally exclusively adhered to despite his efforts at a synthesis.

Marcel Roelandts, as an inheritor of vulgar conceptions from underconsumptionist theories, has to explain the crisis by demonstrating that effective demand is falling. To do so, he uses the same "method" as the one previously used during the analysis of the falling rate of profit; that is, he multiplies contradictory arguments. We have seen all the little tricks he performed to create a crisis caused by the falling rate of profit. A similar operation was undertaken to make the fall appear as the result of effective demand. So, after having demonstrated a theory of the fall in the rate of profit, which is not one, Marcel Roelandts continues with a neo-underconsumptionist theory that is an equal challenge not just to dialectical thought but even rational thought.

The fact that the realization of commodity capital in money capital is not automatic provides the possibility of a crisis. Consequently, when the crisis breaks out, it is a synonym for the lack of effective demand. Capital has to be suddenly devalorized (thorough slashing prices, destruction of capital by idleness, scrapping obsolete means of production, company failures, devalorization of fictitious capital, sackings; with the corollary in the rapid rise of the industrial reserve army whose main effect is to push wages down) to allow accumulation to restart and with it a level of demand allowing for the realization of the social product. The sufficiently devalorized capital can get back on course in again seeking the maximum production of surplus value. The crisis is both the manifestation of a upsetting of the equilibrium and the sudden reestablishment of it. This dialectical vision is substituted by Marcel Roelandts, following the theoreticians of underconsumptionism, with a mechanical conception. It is also quite absurd, with the absurdity deriving from his attempt to reunite the two tendencies of political economy. The absurdity is the product of the synthesis and the synthesis reunites two components that are absurd themselves.

### 4.7.2 A trompe l'œil crisis

In fact, if there is a crisis one has to await for an effective demand default, otherwise the crisis will not have a real existence. The crisis must appear in the sphere of realization, of circulation, of finance and commerce. It breaks out in this sphere. Marcel Roelandts schemas do not have anything to do with this. In his representation there is the "crisis" (we will show that as a crisis, it is an illusion, make-believe) which causes the collapse of effective demand. There is a logic of

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"Every crisis at once lessens the consumption of luxuries (...) and thus throwing a certain number of the labourers out of work, while on the other hand it thus clogs the sale of consumer necessities and reduces it. And this without mentioning the unproductive labourers who are dismissed at the same time, labourers who receive for their services a portion of the capitalists' luxury expense fund (these labourers are themselves *pro tanto* luxuries) and who take part to a very considerable extent in the consumption of the necessities of life, etc." (Marx, Capital Volume II, Collected works Vol. 36, p. 409)

<sup>225</sup> As we have already said in a note above, the communist movement has at its disposal a much greater volume of material than was available at Marx's time and should therefore make a deeper analysis of the cycle and the changes in relations between classes.



cause and effect, events taking place over time, and not the manifestation within the sphere of realization of a crisis originating in the production process of surplus value.

For Marcel Roelandts, the fall in the rate of profit causes “a crisis and slowdown in economic activity” (p. 23). If we are talking about a real crisis, economic activity does not just slow down, it dwindles: stocks increase, production stops, some companies lay off workers, others close, services await customers and generally waste their time doing so, unemployment grows etc. The two terms (crisis and slowdown) that are supposed to explain the crisis are in fact contradictory. If Marcel Roelandts had said that at the end of the crisis economic activity slowed down, that is to say the accumulation restarted, but at a slower rate than during the previous cycle, there could have been a very stylized representation of the fall in the rate of profit (this summary representation would have notably skipped the tendential one). But this is not so in his analysis. The two aspects are seen as concomitant. But they are contradictory when they are situated on the level of total capital.

Consequently, in Marcel Roelandts’ representation, the fall in the rate of profit, quite rightly, has so far caused no crisis. The only real effect is the economic slowdown<sup>226</sup>. But an economic slowdown is not a crisis. The statement that a crisis exists has nothing to stand on, it is a handful of stardust thrown by Marcel Roelandts, the illusionist, to distract us or blind us as he smuggles in adulterated underconsumptionism.

#### 4.7.3 Underconsumptionist exegesis

Having assimilated a slowdown of activity with a crisis and then having conjured away the crisis itself, Marcel Roelandts can carry on down his underconsumptionist road. His point of view sees that the slowdown in activity limits final demand. Marcel Roelandts begins by stating that there is a “fall in investment in fixed capital and therefore in accumulation, (...)” (p. 23). We are again reminded that the accumulation of capital is basically only the accumulation of constant capital, even just fixed capital. As for all vulgar economists, variable capital does not form part of capital accumulation.

At this level of abstraction, essentially two factors determine the rate of growth<sup>227</sup>

- The rate of profit
- The rate of accumulation

When the rate of profit falls, as we have seen, the rate of accumulation would also have a tendency to fall and the rate of profit therefore would fall too. But this is in no way forms a factor in the crisis. Activity slows down and the industrial reserve army grows at the same time due to the rise in the organic composition and the fall in the rate of accumulation, but we cannot infer a proof for a fall in final demand. If we put aside crises connected with disproportions which always emerge in the material composition of capital and those which take place just in the financial sphere, a fall in the rate of accumulation could correspond to a rise in the rate of consumption of surplus value. So we have not even inched forwards. The “crisis” exists only in the imagination of Marcel Roelandts.

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<sup>226</sup> We shall show below that this slowdown can be completely independent of the fall in the rate of profit in order to complete the demonstration of Marcel Roelandts’ final conversion to underconsumptionism.

<sup>227</sup> Speaking of political economy, it seems that an equivalent concept does not exist, as far as we know, in Marx. It seems that it would be useful, if there is nothing against it, to provide an equivalent in scientific socialism.

The slowdown in activity is not the only factor that influences the fall in final demand. Another component has to be added which is a classic in underconsumptionist thought: the fall in demand caused by the rise in the rate of surplus value. This analysis holds that the rise in the rate of surplus value causes, along with the fall in the wages of the productive class, the value created by living labour, a fall in demand for means of consumption. The slowdown of activity and the rise in the rate of surplus value are therefore the two factors that cause a fall in final demand which, we should note, concerns only a part of surplus value.

Marcel Roelandts has had to resort to the nth revision to link the two aspects of the theory, to link the fall in the rate of profit and the fall in demand. For Marx, obtaining the maximum surplus value, the exclusive goal of capitalist production, causes the increase in labour productivity, one of whose manifestations is the tendential fall in the rate of profit (and the tendential rise in the rate of surplus value cf. Chapter 2. Marx *The Fall in the rate of profit and Crises*). For Marcel Roelandts it is the rate of profit which forces capital to increase the rate of surplus value<sup>228</sup>.

Here we again find the rhetoric typical of vulgar economics. When all has been counted in, it is particular, extrinsic causes which lead capital to exploit the proletariat.

How does this process which, a priori, threatens to become frequent, even permanent (the goal of capitalist production is the production of the maximum surplus value, the perspective of a rise in the rate of surplus value is therefore the essence of capital) turn into a cycle which, a fortiori, is “decennial”<sup>229</sup>? This is not explained. Is it because quite rightly there is the denial that the goal of capitalist production is the production of the maximum surplus value? Or is it even that because Marcel Roelandts and associates represent the phenomenon of the crisis of overproduction as a petrol can which fills with petrol and does not overflow until it is full? Overproduction would accumulate year-by-year to appear only periodically. This conception would only be a variant (which is essentially absurd if we set aside the coherent part which is found in the variation of stock) of underconsumptionist theories which give the crisis a permanent character.

#### 4.7.4 Artificial overproduction

Marcel Roelandts uses a scheme to summarize his conception, with the crisis suspended for now. In fact, we have seen that it had no legitimacy, no true explanation, no validity or material basis. Only a conjuring trick allows Marcel Roelandts to accelerate this fall in the rate of profit by making competition play a role that Marx always excluded from his analysis<sup>230</sup>. Further on in his

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<sup>228</sup> “(...) the capitalists are forced to restrict the part in wages by raising the rate of surplus value, this is generally following the necessity to recover from an insufficient profitability (...) this configuration (...) forms the origin of the neoliberal turnaround in the 1980s: the rate of profit was so weak that the profitability of companies was at its lowest and, as labour productivity had been hit by a structural and progressive decline starting in the late 1960s, only the cut back of the wage part could allow recovery from an insufficient profitability” (Marcel Roelandts, op. cit. p. 29)

<sup>229</sup> They are considered as “decennial” while the accounting by Marcel Roelandts mentions 6 (1971, 1974, 1981, 1991, 2001, 2008) in under 40 years (op. cit. p. 80) which is an average cycle length of about 7 years; and 9 in the United States in the period 1948-2007 (op. cit. p. 19) which is an average of 6.5 years (cf. the introductory note to our “La théorie marxiste des crises” for the characteristics of the cycle in the United States, <http://www.robingoodfellow.com/info>.)

<sup>230</sup> “A. Smith attributed the fall in the rate of profit as capital grows to competition of capitals among themselves. Ricardo objected to this that while competition may certainly reduce the profits in the different branches of business to an average level, even up the rate of profit, it cannot depress this average rate itself. A. Smith’s proposition is correct to the extent that it is only in competition – the action of capital on capital – that the immanent laws of capital, its TENDENCIES, are realized. But it is incorrect

book he analyses statistics and focuses on the falls shown in the rate of profit without necessarily drawing the consequences for the articulation between these headlong, sudden falls in the rate of profit and the tendential fall in the rate of profit, in brief, without mentioning that these falls in the rate of profit that characterize overproduction (that cause overproduction – a case of overaccumulation – or provoked by it – the case of the overproduction of commodities) are elements to be distinguished, a very particular phase within the general process which translates into the tendential fall in the average rate of profit.

Consequently, instead of unleashing a crisis in the very heart of the valorization process, a crisis which would develop into a sudden fall in the level of exploitation of the labour force and thus into a lack of surplus value, the characteristic phenomenon of overaccumulation (absolute or relative according to its intensity) and which poses the question of the realization of the social product at the level of total capital ( $c + v + sv$  and not just at a part of it,  $sv$  or part of  $sv$ ), Marcel Roelandts has to introduce a mechanical conception characteristic of underconsumptionist theories which he accepts, because the preliminaries on the fall in the rate of profit<sup>231</sup> only serve to introduce this insufficient final demand.

This representation contains a fall in the rate of profit which is of such little importance that the authorities Marcel Roelandts calls on, seeing that Michel Husson produced the same intellectual scheme all the while clamouring that the rate of profit has not stopped rising while the fall in the rate of accumulation has continued, due to the insufficiently profitable area of accumulation. Therefore it makes no difference if the rate of profit rises or falls. The only useful parameter is the fall in the rate of accumulation with its effect of reducing demand for fixed capital (we have already seen that this approach limits accumulation only to fixed capital and does not include constant capital and variable capital). As on the other hand, it is quite possible that the rate of surplus value rises whatever the tendency of the rate of profit may be, making this last question all the more marginal.

In the other case we have demonstrated the possibility of the crisis is given by the fact of the possible separation between sale and purchase. This perspective means that the realization of commodity capital, its transformation into money at the end of the production process, is not given at the level of total capital. This comes down to meaning that it is as if there are fault lines running through a container, the parts already cut apart, which normally are stable and guarantee the hold of the container, but when the internal pressure becomes too high they split along the fault lines already defined. The crisis of overproduction, whose origin lies in the production process, lies either in the insufficient production of surplus value in relation to the capital advanced, or in the accelerating growth of surplus product and the imbalance of its components

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in the sense in which he understands it – namely that competition imposes on capital laws external to capital, laws brought in from outside, which are not capital's own laws. Competition can permanently depress the rate of profit in all branches of industry, i.e. the average rate of profit, only if, and only to the extent that, a general and permanent fall in the rate of profit operating as a law is conceivable also *prior to* and regardless of competition. Competition executes the inner laws of capital; it turns them into coercive laws in relation to the individual capital, but it does not invent them. It realizes them. To wish to explain them simply by competition means to admit that one does not understand them.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 29, pp. 135-136)

Academic Marxism does not hesitate therefore to step into the field of the vulgar economist when calling on the *deus ex machina* of competition.

“In short, competition has to shoulder the responsibility of explaining all the meaningless ideas of the economists whereas it should rather be the economists who explain competition.” (Marx, Capital Vol. III, Collected Works Vol. 37, p. 852)

<sup>231</sup> We have seen that he took up the very worst in the “Marxist” theories of the fall in the rate of profit.

due to the effects of the level of exploitation of the productive power of labour. The first phenomenon supposes a fall in the rate of exploitation of the labour force, and therefore a downturn in the increase of labour productivity. Consequently, the sudden fall in the rate of profit puts pressure on to cause a general crisis of overproduction. The whole of capital tends to stop functioning as capital and so cannot realize itself in money. An insufficient production of surplus value and the fall in the rate of profit builds up pressure, making a crisis necessary, while the factors which mean that the realization process is not automatic makes it possible for the crisis to appear on the market as a crisis of overproduction. If this is not so, when accumulation accelerates productivity rises and the mass of commodities grows, their outlet and the realization as surplus value and the value they contain become all the more difficult to obtain as the capital is devalorized. Another type of overproduction looms, the overproduction of commodities. The two forms of overproduction are not separate. They are the Scylla and Charybdis, the two sides of the same limit based on the contradictory development of the productive power of labor.

It is not the perturbing factors in final demand which exacerbate or reduce fluctuations in accumulation and the rate of exploitation, but an organic whole which at a given moment, forced by the sudden fall in the rate of profit or the growth of the surplus product, transforms into the separation between the conditions of production and the conditions of realization. This potential crisis, the possibility of crises, and their necessity too, are inherent in capitalist production.

Marcel Roelandts does not avoid a single trap in the theory of underconsumptionism. When he pretends to do so, he does so only by deforming Marx's theory.

First of all, he accepts the idea that the question of realization only concerns a part of the social product, surplus value<sup>232</sup>. Political economy, which in any case could not understand that the value of constant capital entered into the value of the social product either, could consequently only fail to be concerned with its realization, even if it recognized a particular difficulty there. It is equally true that the tendency which recognizes the possibility of general crises, that is to say the tendency which Sismondi represents, only concentrated on surplus value, on profit. Here vulgar Marxist political economy has not even inched forward beyond classical political economy. On the one hand, the potential for a crisis is underestimated. The "political" fallout on the one hand leads to a form of voluntarism so that it can maintain a revolutionary conception and on the other hand leads to minimizing the catastrophic path of capitalist production and ends up in the social democratic slough with the representations characteristic of bourgeois or petit bourgeois socialism.

On the other hand, a mechanical crisis has come to the fore. Marcel Roelandts does not speak of a permanent crisis, but, instead, as we have seen, supports the idea of a decennial cycle, even though his whole conception leads in the opposite direction. A form of passivity is created politically speaking in this dimension. We could think that the result of these tendencies provides the correct milieu. In fact, their representatives are lured by Scylla and Charybdis in turn.

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<sup>232</sup> It is not therefore a minor detail. In fact, we have to deduce from his position that neither variable capital, nor constant capital are concerned in the question of the realization of the social product. For example, Marcel Roelandts criticizes certain authors (without quoting them) who, after having confronted the two tendencies (the falling rate of profit against underconsumption) opts for the former and dismisses the latter. He declares in line with his perspective of reconciling the two tendencies that "Marx told us very explicitly that if the surplus value extracted is not realized on the market, that is, if it is not socially recognized, it is forever lost for the capitalist". (op. cit. p. 31) He then quotes Marx where he shows "explicitly" that not only is the surplus value threatened in realization, but also the whole advanced capital.

## 4.8 Conclusion

Marcel Roelandts' denial of the specificities of Marx's theory lets him renew with the most vulgar interpretation the theory of the fall in the rate of profit, and so he deduces a crisis in an incoherent manner. If we remove this incoherence, all that remains is the eternal rule of capital.

Marcel Roelandts has thus succeeded despite, or perhaps because of, his ecumenical form, in readopting the worst in the vulgar Marxist interpretation of a Ricardian inspiration.

We have seen that the fall in the rate of profit causes no crisis in Marcel Roelandts representation. Its presence in the explanatory process is superficial, a simple orthodox veneer which is basically useless but which allows for a synthesis of the two tendencies of vulgar Marxist political economy. He does so by adopting the very worst of the Ricardian tendency. Seeing that this dimension, which is particularly vulgar, is purely ornamental, it only leads on to a conversion to the second tendency, the underconsumptionist one, all of whose errors are embellished, if not amplified. Marcel Roelandts' project, with its orthodox appearance, only leads to a theoretical and practical disaster.

Nevertheless, revolutionary Marxism with a scientific vocation has no shortage of questions worth studying. A prime example is the conditions that lead to the appearance of capital overaccumulation and the sudden fall in the rate of profit that follows it. Another is ways in which commodity overproduction takes place. Marx left us photographs of various moments of the cycle of accumulation, and it is our responsibility to produce a 3D film which would allow us to put together these photographs, especially by introducing the process of valorization/devalorization into the argument. Once again, we have to start with the original negatives and not the edited and retouched photo shop versions made by the stalinists, social democrats, petit bourgeois university professors or by bourgeois intellectuals.

## 5. Appendix 1: The Function of the Middle Classes

As we have already stated, we will study the economic and social consequences linked to the emergence of a modern salaried middle class, which develops within the most modern capitalist mode of production, in great detail. This will be the object of the second part of this text, but to avoid delay, we hope to show that this evolution of the capitalist mode of production was clearly foreseen by Marx, something our party has not ceased repeating over the last 40 years. (This thesis had already been defended, above all in the first series of the journal 'Invariance'). Therefore, it is not an analysis we pulled out of our magician's hat, but a constituent part of Marx's theory. This part has been subject to only partial developments, even while showing a deep rooted unity that should have been developed in another part of Marx's "The Economy". It could easily be conjured away by various revisionists and other enemies of Marxism. This appendix, which will be inserted in the second part of this work, therefore shows that the need to develop a salaried middle class is an essential component of Marx's theory.

In Capital Volume I, Marx laid down the role of the capitalist manager, defining his social function along with his psychology and his evolution. The capitalist manager, as distinct from the owner, personifies capital<sup>233</sup>. He has the function of producing the maximum surplus value, which in turn supposes that he obtains the best possible performance from the workforce at any given moment and also extends<sup>234</sup> the accumulation of capital in both its size and depth<sup>235</sup>. Production for production's sake, the worship of the increase in the productive power of labour; that is the function of the capitalist.

The development of capitalist production sees the progressive weakening of frugality, thrift and avarice, which are characteristic of this function. The capitalist yields to the siren song of the unproductive consumption of surplus value. It is true to say that through progress in the concentration and centralization of capital, a growing surplus value allows him to increase consumption without at the same time damaging capital accumulation to any great extent. This consumption also becomes a professional requirement to the extent that the flaunting of his wealth is a way to obtain credit, to win confidence and to expand his circle of contacts<sup>236</sup>.

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<sup>233</sup> "Except as personified capital, the capitalist has no historical value, and no right to that historical existence (...) And so far only is the necessity for his own transitory existence implied in the transitory necessity for the capitalist mode of production." (Marx, Capital Vol. I, Collected Works Vol. 35, p. 587)

"Only as personified capital is the capitalist respectable." (Idem, p. 588)

<sup>234</sup> "(...) it is not values in use and the enjoyment of them, but exchange value and its augmentation that spur him into action. Fantastically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake; he thus forces the development of the productive forces of society, and creates those material conditions, which alone can form the real basis of a higher form of society (...)." (Marx, Capital Vol. I, Collected Works Vol. 35, p. 588)

<sup>235</sup> "Accumulate, accumulate! That is Moses and the prophets! (...) Therefore, save, save, i.e. reconvert the greatest possible portion of surplus value, or surplus product into capital! Accumulate for accumulation's sake, production for production's sake; by this formula classical economy expressed the historical mission of the bourgeoisie (...) If to classical economy, the proletarian is but a machine for the production of surplus value; on the other hand, the capitalist is in its eyes only a machine for the conversion of this surplus value into additional capital." (Marx, Capital Vol. I, Collected Works Vol. 35, p. 591)

<sup>236</sup> "At the historical dawn of capitalist production – and every capitalist upstart has personally to go through this historical stage – avarice, and desire to get rich, are the ruling passions. But the progress of capitalist production not only creates a world of delights, it lays open, in speculation and the credit system, a thousand sources of sudden enrichment. When a certain stage of development has been reached, a conventional degree of prodigality, which is also an exhibition of wealth, and consequently a source of

However, this tendency reaches its bounds as enjoyment and expense run alongside as a form of guilty conscience<sup>237</sup>.

If the capitalist ever renounces the enjoyment of accumulation in favour of the accumulation of enjoyment, he would abandon his function, and the capitalist who unproductively consumes surplus value rather than accumulating it would be condemned to disappear<sup>238</sup>. From the point of view of total capital, Scylla and Charybdis endanger the capitalist mode of production. If we imagine a society composed only of proletarians facing a capital whose only interest is the production and accumulation of surplus value, an exponential increase of the productive forces and in labour productivity would follow. This massive development would undermine the very foundations of capitalist production even more quickly by goading on devalorization to its heights while at the same time creating an enormous accumulation of commodities that would be increasingly difficult to sell and realize. Furthermore, the development of production for production's sake, running alongside the increase in the personal wealth of the capitalist, could lead to the enfeeblement of capitalist production so that its ticks over faced with the mass of profit, without seeking to press forward systematically with the growth of the productive power of labour.

Starting in 1845, Marx and Engels insisted on the fact that that while the capitalist mode of production developed the productive forces, they also changed into destructive forces<sup>239</sup>. While the capitalist personifies the passion for accumulation, the desire for production for production's sake, he also has to express the passion in society for expenditure and consumption for consumption's sake. We have seen that the capitalist cannot fully carry out this function without renouncing his own being. Therefore, the dialectical pendant of production found in consumption is expressed in another class<sup>240</sup>. A class that represents expense and consumption

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credit, becomes a business necessity to the "unfortunate" capitalist. Luxury enters into capital's expenses of representation." (Marx, Capital Vol. I, Collected Works Vol. 35, p. 589)

<sup>237</sup> "Although, therefore, the prodigality of the capitalist never possesses the bona fide character of the open-handed feudal lord's prodigality, but, on the contrary, has always lurking behind it the most sordid avarice and the most anxious calculation, without the one necessarily restricting the other. But along with this growth, there is at the same time developed in his breast, a Faustian conflict between the passion for accumulation, and the desire for enjoyment." (Marx, Capital Vol. I, Collected Works Vol. 35, p. 590)

"If the labourer's overproduction is *production for others*, the production of the normal capitalist, of the industrial capitalist as he ought to be, is production for the sake of production. It is true that the more his wealth grows, the more he falls behind this ideal, and becomes extravagant, if only to show off his wealth. But he is always enjoying wealth with a guilty conscience, with frugality and thrift at the back of his mind. In spite of all his prodigality he remains, like the hoarder, essentially avaricious." (Marx, Theories of Surplus Value, Collected Works Vol. 31, pp. 179-180)

<sup>238</sup> "(...) the development of capitalist production makes it constantly necessary to keep increasing the amount of capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation." (Marx, Capital Vol. I, Collected Works Vol. 35, p. 588)

<sup>239</sup> "These productive forces receive under the system of private property a one-sided development only, and for the majority they become destructive forces; moreover, a great many of these forces can find no application at all within the system of private property." (Marx, Engels, The German Ideology, Collected Works Vol. 5, p. 73)

<sup>240</sup> "When Sismondi says that the development of the productive powers of labour makes it possible for the labourer to obtain ever-increasing enjoyments, but that these very requirements, if put at his disposal, would make him unfit for labour (as a wage labourer) (...) it is equally true that the industrial capitalist becomes more or less unable to fulfil his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation. (...) he is

for consumption's sake is required. Since the capitalist class, despite progress made, cannot take upon itself alone this function because at a certain point this class comes into contradiction with its social function, the class best fitting the passion for expense and consumption is the middle class. Frequently Marx looked to Malthus<sup>241</sup> at this stage in his analysis. Malthus was a reactionary<sup>242</sup> because he defended factions of the ruling classes (the land owning aristocracy, the clergy etc.) which were historically outdated, but the basis of his analysis was correct<sup>243</sup> (242).

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therefore also a producer of *overproduction, production for others*. Over against this overproduction on one side must be placed overconsumption on the other, production for the sake of production must be confronted by consumption for the sake of consumption. When the industrial capitalist has to surrender to landlords, the State, creditors of the state, the church, and so forth, who only consume revenue, is an absolute diminution of his wealth, but it keeps his lust for enrichment going and thus preserves his capitalist soul.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 180)

<sup>241</sup> In fact Malthus was the best known representative of this tendency of political economy who highlights the importance of this function. Compared with him, the representatives of the capitalists and accumulation, notably the Ricardians, were alarmed by such a perspectives.

“Political economy takes the historical function of the capitalist in bitter earnest. In order to charm out of his bosom the awful conflict between the desire for enjoyment and the chase after riches, Malthus, about the year 1820, advocated a division of labour, which assigns to the capitalist actually engaged in production, the business of accumulating, and to the other sharers in surplus value, to the landlords, the place-men, the beneficed clergy, etc., the business of spending. It is of the highest importance, he says, “to keep separate the passion for expenditure and the passion for accumulation.”” (Marx, Capital Vol. I, Collected Works Vol. 35, p. 591)

<sup>242</sup> “The parson Malthus, on the other hand, reduces the worker to a beast of burden “for the sake of production” and even condemns him to death from starvation and celibacy. But when these same demands of production curtail the LANDLORD’S “rent” or threaten to encroach on the “tithes” of the ESTABLISHED CHURCH, or on the interests of the “consumers of taxes”; and also when that part of the industrial bourgeoisie whose interests stand in the way of progress is being sacrificed to that part of which represents the advance of production – and therefore whenever it is a question of the interests of the aristocracy against the bourgeoisie or of the conservative and stagnant bourgeoisie against the progressive – in all these instances “parson” Malthus does not sacrifice the particular interests to production but *seeks*, as far as he can, to sacrifice the demands of production to the particular interests of existing ruling classes or sections of classes. And to this end he falsifies his scientific conclusions. This is his *scientific* business, his sin against science, quite apart from the shameless way he makes plagiarism into a profession.”

“The scientific conclusion of Malthus are “*considerate*” towards the ruling classes in GENERAL and towards the reactionary elements of the ruling classes IN PARTICULAR. In other words he *falsifies* science for those interests.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, pp. 349-350)

<sup>243</sup> “Malthus, “the profound thinker” has different views. His supreme hope, which he himself describes as *plus ou moins* [more or less] utopian, is that the mass of the *classe moyenne* [middle class] should grow and that the proletariat (those who work) should constitute a constantly declining proportion (even though it increases absolutely) of the total population. This in fact is the *course* taken by bourgeois society.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 78)

“The highest ideal of capitalist production – corresponding to the relative growth of the net product – is the greatest possible reduction in the number of people living on wages, and the greatest possible increase in the number of people living off the net product.” (Marx, Chapter Six. Results of the Direct Production Process, Collected Works Vol. 34, p. 455)

“Generally speaking, when we look at production based on capital, an essential condition appears to be the combination of the greatest absolute quantity of necessary labour with the greatest relative quantity of surplus labour. Hence as basic condition the greatest possible growth of population – of living labour capacities. If we further look at the conditions for the development both of productive power and exchange, we find that they are the division of labour, cooperation, observation in all directions, which



Even if the classes Malthus represented were in decline, others, on the contrary, were coming to the fore with the progress of capitalist production<sup>244</sup>.

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can only be the work of many heads, science, as many centres of exchange are possible – and all these are identical with the growth of population.

On the other hand, it is inherent in the conditions for the appropriation of alien surplus labour that necessary population – i.e. the population representing necessary labour, labour necessary for production – is matched by a *surplus population* which does not work. In the further development of capital, we find that alongside the industrial part of this surplus population – the industrial capitalists – a purely consuming part branches off. Idlers whose business it is to consume alien products and [who] since consumption has its limits, have to have a part of these products FORWARDED to them in refined form, as luxury products.

When the economists speak of surplus population, they are not referring to this idle surplus population. On the contrary, it is precisely they with their consumption business, who are regarded by the population fanatics as necessary population, and [if one takes their view] justly (consistently) so.” (Marx, 1857-1858 Manuscripts, Grundrisse, Collected Works Vol. 28, p. 527)

“The quantity of articles entering into consumption or, to use Ricardo’s expression, the quantity of articles of which the GROSS REVENUE consists, can increase, without a consequent increase in that portion of this quantity which is transformed into variable capital. This may even decrease. In this case more is consumed as REVENUE by capitalists, LANDLORDS and their RETAINERS, the unproductive classes, the state, the middle strata (merchants), etc. What lies behind the view taken by Ricardo (and Barton) is that he originally set out from the assumption that every accumulation of capital = an increase in variable capital, that the demand for labour increases directly, in the same proportion, as capital is accumulated. But this is wrong, since with the accumulation of capital a change takes place in its organic composition and the constant part of the capital grows at a faster rate than the variable. This does not, however, prevent REVENUE from constantly growing, in value and in quantity. But it does not result in a proportionally larger part of the total product being laid out in wages. Those classes and sub classes who do not live directly from their labour become more numerous and live better than before, and the number of unproductive workers increases as well.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 187-188)

<sup>244</sup> “Assume that the productivity of industry is so advanced that whereas earlier 2/3 of the population were directly engaged in material production, now it is only 1/3. Previously 2/3 produced means of subsistence for 3/3; now 1/3 produce for 3/3. Previously 1/3 was net revenue (as distinct from the revenue of the labourers), now 2/3. Leaving contradictions out of account, the nation would now use 1/3 of its time for direct production, where previously it needed 2/3. Equally distributed, all 3/3 would have more time for unproductive labour and leisure. But in capitalist production everything seems and in fact is contradictory. The assumption does not imply that the population is STAGNANT. For if the 3/3 grow, so also does the 1/3; thus *measured in quantity*, a larger number of people could be employed in productive labour. But relatively, in proportion to the total population, it would always be 50% less than before. Those 2/3 of the population consist partly of the owners of profit and rent, partly of unproductive labourers (who also, owing to competition, are badly paid). The latter help the former to consume the revenue and give them in return as equivalent in SERVICES – or impose their services on them, like the political unproductive labourers. It can be supposed that – with the exception of the horde of flunkies, the soldiers, sailors, police, lower officials and so on, mistresses, grooms, clowns and jugglers – these unproductive labourers will on the whole have a higher level of culture than the unproductive workers had previously, and in particular that ill-paid artists, musicians, lawyers, physicians, scholars, schoolmasters, inventors, etc., will also have increased in number.”

“Within the productive class itself commercial MIDDLEMEN will have multiplied, but in particular those engaged in machine construction, railway construction, mining and excavation; moreover in agriculture labourers engaged in stock-raising will have increased in number, and also those employed in producing chemical and mineral materials for fertilizers, etc. Further, the farmers who grow raw materials for industry will have risen in number, in proportion to those producing means of subsistence, and those who provide fodder for cattle, in proportion to those who produce means of subsistence for people. (...) Relatively to the manufacturing labourers, agricultural labourers will decline in number. Finally the luxury

We now come to highlighting with the use of quotations the general economic function of the middle class according to Marx. It incarnates the passion for expenditure and as such plays a regulatory role in the framework of the capitalist mode of production. The volcano of production has limited possibilities to expand, while it is stimulated at the same time. Is this the only advantage of the existence of a middle class? Does it have, for Marx, a role as a social buffer in the class struggle? The following quotations answer the question.

“What it [the apologetic bourgeois presentation of machinery] [asserts] – and PARTLY CORRECTLY – is [firstly] that as a result of machinery (of the development of the productive powers of labour in general) the NET REVENUE (PROFIT and RENT) grows to such an extent, that the bourgeoisie needs more *MENIAL SERVANTS* than before; whereas previously he had to lay out more of his product in PRODUCTIVE LABOUR, he can now lay out more in UNPRODUCTIVE LABOUR, [so that] servants and other workers living on the unproductive class increase in number. This progressive transformation of a section of the workers into servants is a fine prospect. For them it is equally consoling that because of the growth in the NET PRODUCE, more spheres are opened up for UNPRODUCTIVE LABOUR, who live on their product and whose interest is their exploitation coincides *plus ou moins* [more or less – ed.] with that of the directly exploiting classes.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 196)

“What he [Ricardo – ed.] forgets to emphasize is the constantly growing number of the middle classes, those who stand between the WORKMAN on the one hand and the capitalist and LANDLORD on the other. The middle classes maintain themselves to an ever increasing extent directly out of REVENUE, they are a burden weighing heavily on the WORKING base and increase the social security and power of the UPPER TEN THOUSAND.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p 198)

Therefore, for Marx, the middle classes equally played a social and political role by serving as a bulwark for the ruling classes.

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labourers will increase in number, since the higher revenue will consume more luxury products.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, pp. 112-113)