

### 3. CAPITALISM'S CRISES

Marx was one of the first to observe that the tendency toward cyclical crises was an inherent, lawful characteristic of capitalism. But his theory of crises has long been one of the most disputed aspects of his work. One reason is that it has direct political implications: each explanation for crises implies a solution for avoiding them, and the political programs of the various Marxist tendencies inevitably color their theoretical analyses. Reformist and revolutionary interpreters of Marxism have made crisis theory into a major battlefield.

Another reason for controversy is that Marx never got to treat the subject with the detail and coherence he planned. Comments are scattered about his writings and mixed in with other topics, and short-term crises and long-term effects are not always distinguished. We begin with the short-term crises; our interpretation is designed to clarify their role in carrying out Marx's long-term periodization of capitalist development - the subject of the next chapter.

#### THE CRISIS CYCLE

Marx linked crises to the life cycle of fixed capital:

"As the magnitude of the value and the durability of the applied fixed capital develop with the development of the capitalist mode of production, the lifetime of industry and of industrial capital lengthens in each particular field of investment to a period of many years, say of ten years on the average. Whereas the development of fixed capital extends the length of this life on the one hand, it is shortened on the other by the continuous revolution in the means of production, which likewise incessantly gains momentum with the development of the capitalist mode of production. This involves a change in the means of production and the necessity of their constant replacement, on account of moral depreciation, long before they expire physically....

"The cycle of interconnected turnovers embracing a number of years in which capital is held fast by its fixed constituent part, furnishes *a material basis for the periodic crises*. During this cycle business undergoes successive periods of depression, medium activity, precipitancy, crisis. True, periods in which capital is invested differ greatly and far from coincide in time. But a crisis always forms the starting point of large new investments — therefore, from the point of view of society as a whole, more or less, a new material basis for the next turnover cycle."<sup>44</sup>

Let us take a closer look at the different phases of the industrial cycle cited by Marx.

In the recovery (or "medium activity") phase after a crisis, labor is widely available and relatively cheap; most spheres of production expand, hiring more workers. Accumulation takes place in several ways: the concentration of capital in existing capitals, the formation of new capitals and the subdivision of old capitals to take advantage of profitable conditions. In particular, capitalists invest in the production of new fixed capital, which not only takes time to be produced but also has the property that its full value is transferred to other commodities only over the period of its working life and therefore is not immediately realized on the market. The recovery phase is a period of increasing production by an increasing number of independent units and of relatively low competition for markets, because demand by workers and capitalists initially runs ahead of production.

Since fixed capital eventually enters into production and the availability of workers is limited, expansion reaches a point where labor begins to run short. This is the expansion or **boom** (Marx's "precipitancy") phase, in which conditions are most favorable to the workers; they are able to increase wages by taking advantage of the competition among capitalists for labor. This creates a short-term reduction in the surplus value extracted per worker, hence a fall in the rate of profit.

The unplanned nature of production, combined with the capitalist drive to accumulate, means that supply soon outpaces demand. As the boom nears its peak, the products of the new fixed capital reach the market. Because of the multiplicity of producers in every sphere, capitalists are compelled to compete for buyers as well as for workers. These conditions bring about overproduction, in producers' goods especially. The crisis is triggered when a sizeable portion of the value produced cannot be realized, that is, sold to buyers needing the given use values and able to pay the exchange value of the commodities.

In the crisis phase, increasingly many capitals are forced to cut production and even to halt it entirely. Production drops as the rate of profit heads downward. Overproduction in consumption goods can turn into

shortage as industries manufacturing supplies shut down. The army of unemployed workers grows, and this relieves the pressure for high wages. Even costs of capital goods go down.

When the rate of profit sinks below average, the cycle moves into its **slump** phase; unemployment is rampant and many capitals are wiped out. But then the depressed conditions begin to reverse the situation. The rate of profit of surviving capitalists turns up, since both labor and production goods have become cheaper. This is the phase where the centralization of capital flourishes, for the surviving capitalists can buy out bankrupt firms at prices below their usual value. And so, with labor weakened and capital further centralized, the cycle begins anew.

These systemic crises provide a catharsis for the capitalist economy, enabling the system to purge itself of obstructions like backward enterprises and powerful sectors of the work force. The purge comes at the cost of social instability, and this is why capitalism developed techniques for dampening crises. These techniques, however, also weaken the system in that obstructions now are not so easily removed. We will see the results in our discussions of the post-World War II world in later chapters.

The theory outlined here is an overproduction theory of crises (as opposed to underconsumptionism described below). Crises result from the fact that each branch, and indeed each separate capital, must expand independently, whatever the needs or purchasing power of society as a whole.

The description just given of the crisis cycle is only a general outline of the forces that come into play. No actual crisis follows the model exactly. In fact, the immediate causes that precipitate particular crises are usually obstructions and imbalances in the monetary system. It was capitalism's money and credit system that displaced direct barter as the major mode of exchange and created the possibility of selling commodities without buying others (or vice versa); that is how goods can be produced that don't find a market. The vagaries of money make each crisis appear different and disguise the underlying patterns. Moreover, as statification and monopoly play increasingly powerful roles, the cycles became increasingly warped. The extreme distortion, as we will show in a later chapter, occurs in the Stalinist system.

Although overproduction under capitalism is the source of crises, a rationally based socialist society would need a different "overproduction" — of use values, not value - for its own purposes. Since the amount of the various kinds of fixed equipment that have to be replaced in any given year cannot be perfectly predicted and will vary, an oversupply has to be prepared for insurance. As Marx put it, the problem "can be remedied only by a continuous relative overproduction. ... 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."<sup>45</sup> We will see in Chapter 5 that Stalinist overproduction is a form of capitalist anarchy rather than a reflection of social control over economic forces.

## UNDERCONSUMPTIONISM

A popular "Marxist" theory of crises is underconsumptionism: the idea that capitalism tends to produce insufficient demand for consumption goods in particular. Its basic version argues that crises occur because of the excessive exploitation of the workers. Since workers are paid for only part of the value they produce, they cannot possibly buy back the whole product of their labor. Moreover, the capitalists who appropriate the "excess" surplus value are too few to consume the remainder. Hence many commodities cannot find buyers, and crisis ensues.

Underconsumptionism in this form is a traditional theory of reformist social democrats and labor leaders; they deduce that paying workers higher wages is the way to prevent crises. However, the fact that crises break out at the point in the cycle when the workers have their highest wages, as Marx noted, makes the argument for higher wages to avoid crises unconvincing - along with the theory of underconsumption as an explanation.<sup>46</sup>

Marx also responded that the masses' underconsumption - the fact that they cannot afford the full range of commodities needed for a comfortable living standard - is a constant of life under capitalism, through both boom and bust. (Indeed, it was constant under all previous class societies as well.) If underconsumption were the source of crises they would be permanent, not cyclical.

Certain passages in Marx's work are often taken to justify the claim that he was an underconsumptionist. For example:

"The conditions of direct exploitation and those of the realization of surplus value are not identical. They diverge not only in place and time but also logically. The first are limited only by the

productive power of society, the latter by the proportional relations 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."<sup>47</sup>

There is no hint here that capitalism could avoid crises by increasing the consumption of the mass of population. Of course, restricted consumer power is an essential basis of crises: they occur because the mass of wealth is in the hands of capitalists, who can restrict its use when profits are low. Since capitalist production is driven to increase absolutely, which means that resources are constantly drawn away from consumption and toward accumulation, the consumption of society is *necessarily* limited. This would be true even if consumption were much greater than in Marx's time, as it is in the leading capitalist powers today. So even this allegedly underconsumptionist passage is better interpreted in the light of the overproduction theory we outlined: production tends to increase in unplanned fashion and thereby beyond the social demand, no matter how great.

The main point overlooked by the underconsumptionists is that even if capitalists made no profit at all, workers would not buy back the entire product. A portion of the value produced comes from constant capital; and that portion, along with much of the surplus, is repurchased by other capitalists for use in the next round of production. Moreover, it is not even true that all value *eventually* ends up embodied in consumption goods meant for purchase by the working class; a major element of constant capital always is reproduced as constant capital. The error here is that all production is "meant" for eventual consumption. It implicitly accepts the idea that the aim of capitalist production is use values rather than value, and therefore that the proletariat is a deprived consuming class whose goals are achievable within the system.

The implication of underconsumptionism, plainly apparent when expressed by reformists, is the idea that capitalism can be made rational

- that is, it can save itself from deadly crises by learning to produce for human needs rather than for profit. This view has nothing in common with Marx, who held that production for value was the essence of the system
- in contradiction to satisfying the use value needs of the masses.

We will see in later chapters that one or another version of underconsumptionism lies just beneath the surface of most Marxist theories of modern capitalism. An influential view is that of Baran and Sweezy, whose ideas swayed the American New Left of the 1960's. They hold that capitalism's problem in modern times is an excess of "surplus" which, unlike Marx's surplus value, has no direct connection to the exploitation of the proletariat. The system cannot absorb the surplus without resort to arms spending and other artificial devices. Moreover, it suffers from a "tendency of surplus to rise." Economic crises are obsolete; instead we face long-term stagnation and social crises ("disorientation, apathy, and often despair").<sup>48</sup> Sweezy's criticism of state capitalist theorists who don't base their analyses of the Soviet Union on capitalism's laws of motion (see the Introduction) comes with ill grace from one whose analysis of *capitalism* isn't based on capitalism's laws of motion.

Baran and Sweezy's theory of a crisis-free capitalism, like their rejection of surplus value, was a convenient rationalization for political views that reject the proletariat in favor of third-world nationalism. It was also the product of the growing middle class's illusions in endless prosperity that gave rise to theories of a bought-off and bourgeoisified working class. Written in 1966, the book's thesis was decisively answered in practice by the French working class uprising of 1968. It is also refuted by the prolonged decline in living standards that has characterized Western capitalism since the late 1960's (see Chapter 6). The logic of underconsumption theories is very close to Keynesianism, a major force in bourgeois economics during the past half century. It holds that state intervention into the economy can forestall the outbreak of crises by regulating consumer demand, in part by doling out some sops to the working class. This idea conceals the fact that workers' gains are always achieved through militancy against capital, as in the United States during the 1930's. Keynesianism is a theoretical cover that claims credit for what the masses won for themselves. It also justifies the class-collaborationist programs of social democrats (and many academic Marxists) who argue that their "anti-monopoly" policies are in the interest of all society, not just the workers. Once in office, however, when there is less fat on the economy to offer for sops, social democrats find that "the general interest" requires austerity for the workers so that profits (the real goal of the system and its keepers) can recover.

## DISPROPORTIONALITY

In contrast to underconsumptionism, disproportionality is the theory that capitalist anarchy leads to the overproduction of some commodities and the underproduction of others, in essentially random fashion. This too is based on correct observations that reflect the atomized character of capitalist ownership. But like underconsumptionism, disproportionality is a *constant* fact of capitalist life that cannot account for *periodic* crises. Marx's analysis shows that capitalism's drive to accumulate creates cyclical overproduction in all areas, even assuming disproportions between spheres. In his words:

"If it is said that there is no general overproduction but simply a disproportion between the various branches of production, this again means nothing more than that, within capitalist production, the proportionality of the particular branches of production presents itself as a process of passing constantly out of and into disproportionality — since the interconnection of production as a whole here forces itself on the agents of production as a blind law, and not as a law which, being grasped and therefore mastered by their combined reason, brings the productive process under their common control."<sup>49</sup>

Before World War I, disproportionality was the chief alternative to underconsumptionism. It was held by theorists who hoped that the development of capitalism would moderate tendencies toward crises. Lenin held an anti-reformist version of the theory, as we will see in the next chapter. Today its implications are clearer: it is favored by Stalinists and social democrats who see the solution to capitalism's crises as state economic intervention, which can supposedly overcome the anarchic disproportions arising from an unplanned market.

A leading classical disproportionalist was the Bolshevik Nikolai Bukharin, who argued that a crisis-free capitalism was possible. "Let us imagine," he wrote, "the *collective-capitalist social order* (state capitalism) in which the capitalist class is united in a unified trust and we are dealing with an organized, though at the same time, from the standpoint of the classes, antagonistic economy." He went on:

"Is accumulation possible here? Of course. The constant capital grows, because the capitalists' consumption grows. New branches of production, corresponding to new needs, are continually arising. Even though there are certain limits to it, the workers' consumption increases. Notwithstanding this 'underconsumption' of the masses, no crisis can arise since mutual demand of all branches of production, and likewise consumer demand, that of the capitalists as well as of the workers, are given from the start. Instead of an 'anarchy of production' - a plan that is rational from the standpoint of capital."<sup>50</sup>

Bukharin assumed that a "planned" capitalist economy in which relations between classes are hostile can introduce harmonious relations within the ruling class. This is false from a theoretical standpoint: Lenin's analysis of imperialism (Chapter 2) showed that stratification and monopoly do not eliminate competition between capitals but ultimately heighten it. It has also been falsified in practice: Stalin's Russia in the 1930's showed that intensified exploitation of the working class could not take place without rivalry and competition within the bureaucracy (Chapter 4). Once again we are dealing with the anti-Marxist idea that capitalism can be made rational. Bukharin concluded his analysis of state capitalism by claiming that while that system would be free of ordinary crises, it would still decay into stagnation. Looking at the Soviet-type economies today, Bukharin's insight may seem remarkable. But we will show in Chapter 5 that the apparent absence of recurring crises under Stalinism is deceptive, and that there is a far better explanation of its stagnation.

## THE FALLING RATE OF PROFIT

Marx's "law of the tendency of the rate of profit to decline" is another reason often given as the basis for capitalism's periodic crises. We will use the abbreviation "FRP" to refer to Marx's falling rate of profit law, both for simplicity and to distinguish it from other factors which cause the rate of profit to decline.

The rate of profit does of course decline cyclically on the verge of each crisis, as outlined above, because of intensified accumulation and higher wages. Theories that point to such a "profit squeeze" can easily be accommodated within bourgeois ideology, since in effect they condemn the greedy working class as the cause of crises. When raised by leftists, theories of this genre usually imply a "solution" through state planning to compel investment even where less than fully profitable. Such panaceas cannot last long unless the bourgeois state itself is overthrown.

The falling rate of profit law is one of the most controversial subjects in Marxist literature. Marx himself gave it the highest standing:

"This is in every respect the most important law of political economy, and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint. It is a law which, despite its simplicity, has never before been grasped and even less, consciously articulated."<sup>51</sup>

On the other hand, leading Marxists like Bukharin and Trotsky seem never to have mentioned the FRP, while Luxemburg referred to it mockingly and Lenin only in passing. We will show that the falling rate of profit tendency has an intimate relation with the crisis cycle - but is not the cause. Its importance is its link to capitalism's epoch of decay.

According to Marx, the FRP derives directly from the growing domination of dead labor (capital) over living — the rising organic composition of capital. The basic argument is simple. On the one hand, only living labor produces surplus value, and the amount of surplus value that can be produced by one worker in a working day is limited by the number of hours in the day. On the other, the value of the means of production that the worker employs can increase without limit. It follows that the surplus value produced decreases as a proportion of the total capital (constant plus variable). That is, the ratio of surplus value (from which profits are derived) to invested capital - the rate of profit - falls. As an algebraic formula, the rate of profit is expressed as

$$C + V$$

where S stands for surplus value, C for constant capital and V for variable capital. The theory is that over time C increases faster than S with respect to V. Therefore the overall ratio decreases.

Before Marx, bourgeois economists had already observed the falling tendency of the rate of profit - it aroused their concern over the future health of capitalism - but they could not explain it. Today almost all economists as well as many professed Marxists dispute the law, arguing that there is neither any justification for it in theory nor, whatever the conditions in the 19th century, any sign of a general decline in capitalist profit rates. To provide a historical demonstration of the FRP would take us too far afield.<sup>52</sup> Here our task is to show how the law works in theory. First, we note that Marx foresaw some of the problems:

"If we consider the enormous development of the productive forces of social labor in the last 30 years alone as compared with all preceding periods ... 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 economist, 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."<sup>53</sup> There are countertendencies to the FRP, Marx noted, which tend to raise profits. They "cross and annul the effect of the general law, and give it merely the characteristic of a tendency." These include 1) the increasing intensity of exploitation, which increases surplus value; 2) the cheapening of units of constant, and especially of fixed, capital - which lowers the value of invested capital and therefore raises the profit rate as a percentage of it; and 3) foreign trade, which enables capitalists to invest where profits are high because of low-paid workers.

Marx believed that the FRP would normally dominate the counteracting tendencies, because of both empirical evidence and his overall understanding of the impermanence of capitalism. Although he tried to work out a convincing demonstration by means of the laws of motion of the system, the argument as he left it was incomplete. The door remained open for Marxist claims that the FRP is false, as well as for interpretations that make the FRP purely a cyclical phenomenon in which the countertendencies periodically catch up with the main tendency and restore the system's health and profitability (see below). Thus the crises cycles could be eliminated through directive state planning of not only production but long-term investment policy - another reformist myth under capitalism. One elementary argument against the FRP is that no capitalist would ever invest in new equipment if he expected that doing so would lead to a lower rate of profit. Marx replied that the initial investor in a new machine usually reaps a windfall profit by producing commodities below their average value (and below their operative selling price); only when the new technique is standardized does the higher organic composition bring down the average profit rate. Opponents retort that such reasoning may have worked at one time, but now that capitalists have centuries of experience they could see ahead that new technology leads to lower profit rates; if Marx were right, therefore, no new investment would occur. A Marxist reply at this level requires a concrete analysis.

We begin to fill in the gap in Marx's argument by considering the rate of profit as it varies between capitals and over the crisis cycle.

The fall in the overall profit rate due to the rising organic composition of capital works out differently for different firms. A company using new techniques of production can charge lower prices for its goods and thereby undercut obsolescent rivals. *Its* rate of profit does not fall, but rises -despite its own higher organic

composition, since it has engineered a temporary divergence between value and price. As for the rivals, in theory their old fixed capital has been devalued (since the reproduction of their use value now requires fewer hours of labor because more modern methods exist); but they are still compelled to calculate their profit rates on what they originally paid for their equipment. Thus the out-of-date capitals have to sell at less than what they anticipated at the time of investment; so they suffer a loss in expected income and therefore profits. *Their* rate of profit falls; the value/price divergence works against them.

The point that the FRP affects different capitals differently is missed, for example, in a British reformist's argument against the revolutionary implications of the FRP:

"Marx's theory does not apply to the situation in Britain in recent years. Britain today is not the country where the productive forces under capitalism have been pushed to their most advanced limit. ... It is clear, from a casual examination of the statistics, that the 'social productivity of labor' in Britain is much lower than in France, West Germany or the United States. Furthermore, the amount of machinery per worker, measured in either value or volume terms, is much lower in Britain than its more advanced capitalist competitors. The scenario in *Capital* of a fall in the rate of profit coming about at the most advanced stage of capitalist development would apply more to the United States and to continental Western Europe than to Britain; if it applied at all."<sup>54</sup> That is, the FRP implies that since Britain has a lower organic composition than its rivals, it ought to have a higher rate of profit. Since Britain is obviously not doing well, it follows that the FRP is fallacious. Our answer is that Britain's is not an isolated economy, and precisely the more advanced productive methods used elsewhere drive down the rate of profit of uncompetitive British firms. Contrary to its author's intention, his example in fact provides an illustration of the FRP in operation.

The FRP works out differentially not only between firms (and countries) but also over time. As noted earlier, the rising organic composition tendency is carried out in the boom phase of the business cycle, whereas the main countertendency to the FRP — the cheapening of elements of constant capital — occurs mainly in the depression phase. Ideally the two conflicting tendencies would balance each other. When capitals are wiped out and the surviving capitalists pick up the pieces at bargain rates, this (approximately) re-establishes the real value of the old capital at a reduced level, taking its obsolescence into account; accordingly, the rate of profit that the new owners make on old capital would be back to normal. At the same time, weak capitals whose profit rates had been lowest would no longer be in business; their profit rates would not enter into the average to bring it down. Hence the average rate of profit would come back up. But all that the restoration of profit rates means is that the rate of profit of the *surviving* capitals is more or less back to where it was. If we were to consider the capital invested at the start of a given cycle, by the end of the cycle some of it would have been destroyed. The rate of profit it receives would be zero; if averaged into the total, this would bring the average down considerably. Hence the FRP is counteracted only by the destruction of a fraction of capital (and of capitalists). Capitalism, even when progressive, maintains its stability — its efficiency as measured by the average rate of profit — only through a process of fratricide.

Moreover, there are always obstacles to this fratricidal mode of operation, which intervene especially as capital becomes monopolized and statified. At this stage it is harder to wipe out the inefficient firms. When the capitals due for destruction are very large, resolving crises at their expense will hurt the system as a whole, not just the working class and the ousted capitalists. So crises are *not* ideally resolved, and as a consequence, the countertendencies to the FRP (which flourish in the depression phase) are not fully exerted.

Consequently, in the course of a given cycle the FRP will tend to overcome the countertendencies. With the rate of profit tending to fall from cycle to cycle rather than simply within each cycle, the successive crises get worse and worse. This process reaches its apex in the epoch of capitalist decay, as we will see in the next chapter.

Our reasoning shows that the FRP is not a short-term process, despite the fact that the profit-rate fluctuations it causes are carried out by the crisis cycle and run parallel to the fluctuations induced by the labor market. As our citations prove, Marx too regarded it as a long-run, historical phenomenon. Some theorists hold otherwise, but then they cannot explain why there should be an intensification of crises as the system ages.<sup>55</sup> The full interpretation of the FRP depends on an understanding of capitalist decay, and any attempt to restrict this tendency to its role in cyclical crises amounts to rejecting the system's epochal transformation.

## THE VALUE DILEMMA

The falling rate of profit tendency is not a technical phenomenon depending solely on the extent of mechanization of the economy. It expresses the contradictory nature of value and of production for value; it is the practical demonstration of capitalism's dilemma of accumulating new capital and devaluing the old. We are now in position to understand an immensely rich passage from Marx:

"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.

"The contradiction, to put it in a very general way, consists in that the capitalist mode of production involves a tendency toward absolute development of the productive forces, regardless of the value and surplus value it contains, and regardless of the social conditions under which capitalist production takes place; while, on the other hand, its aim is to preserve the value of the existing capital and promote its self expansion to the highest limit (i.e., to promote an ever more rapid growth of this value). ... The methods by which it accomplishes this include the fall of the rate of profit, depreciation of existing capital, and development of the productive forces of labor at the expense of already created productive forces....

"The real barrier of capitalist production is capital itself. It is that capital and its self-expansion appear as the starting and closing point, the motive and the purpose of production; that production is only production for capital and not vice versa, the means of production are not mere means for a constant expansion of the living process of the society of producers."56

Let us illustrate Marx's analysis by means of an imaginary construction. If there were such a thing as a universal capitalist ruling body determining the interests of the system as a whole, it would be torn between the horns of the dilemma implied by Marx. To accumulate intensively by revolutionizing production through new forms of capital means devaluing the old existing capital; but to hold back accumulation means retreating in the battle for power against the working class.

Of course, there can be no universal capitalist authority, so in reality the dilemma is faced only by capitalists controlling narrow sectors of capital. The owner of an individual factory must modernize as rapidly as he can afford, lest his capital be devalued. Monopoly owners may hesitate to modernize too rapidly, lest other sections of their capital be prematurely devalued. As we will see in Chapter 5, the rulers of the Stalinist state have adopted yet another alternative, an extension of the monopoly strategy, which also fails to rescue them from the inherent contradiction. The law of value expresses the essence of the capitalist dilemma. Value permits a smooth crisis-free economy only under the conjuncture of two conditions: unfettered competition to guarantee that the most efficient production methods triumph, and conscious planning to avoid overproduction by independent producers. Each of these conditions is impossible, and the two cannot hold even approximately at the same stage of history. The "invisible hand" of Adam Smith operates only when the system is in its infancy and no firm is big enough to dominate the market. Whereas social planning is conceivable only in an advanced stage, when monopoly and the state dominate. The contradictory logic of capital accumulation shows that the law of value is the embodiment of the system's internal contradictions.

In Marx's description (quoted above) of the ultimate contradiction of capital, it is not the increase of *use values* that is contradictory but the unbounded increase of *value*, which necessarily accompanies the growth of use values under capitalism. Existing values cannot be preserved if new values are produced that render them obsolete. Accumulation of value is therefore counterposed to production of use values essential for the proletariat and future society. Capitalism's increasing consciousness of this contradiction, and the measures it took on the basis of its own laws to forestall the revolutionary maturation of the proletariat, brought an end to its epoch of progressive development.

The fact that the crises and decay of capitalism are inherent in the nature of value refutes all attempts to treat value calculation as an expression of rationality. The anti-Marxist theories remain popular as expressions of middle-class aspirations to find (or engineer) stability in a system whose fundamental basis is class conflict.<sup>56</sup> *Capital*, Vol. III, Chapter 15, Part 2 (pp. 249-50)

44. *Capital*, Vol. H, Chapter 9 (pp. 185-6), emphasis added
45. *Capital*, Vol. II, Chapter 20, Part 11 (p. 469)
46. *Capital*, Vol. II, Chapter 20, Part 4 (pp. 410-11).
47. *Capital*, Vol. III, Chapter 15, Part 1 (p. 244)
48. Baran and Sweezy, *Monopoly Capital*, pp. 8-10,281
49. *Capital*, Vol. III, Chapter 15, Part 3 (p. 365 in the Vintage/Penguin edition).
50. Bukharin, *Imperialism and the Accumulation of Capital*, Chapter 3, (1972 edition, p. 226). In this translation the last word, "capital," is italicized and capitalized as if it refers to Marx's book - "rational from the standpoint of Capital" - but this seems wrong in the context. Our interpretation agrees with the translation of the passage in Cliff, *Russia: a Marxist Analysis*, p. 169.
51. *Grundrisse*, p. 74
52. For evidence see "The Tendency of the Rate of Profit to Fall in the United States," by Dumenil, Glick and Rangel, *Contemporary Marxism* No. 9 (1984); and our "Karl Marx and the World Crisis," *Socialist Voice* No. 19 (1983).
53. *Capital*, Vol. III, Chapter 14 (p. 232)
54. Geoff Hodgson, "On the Political Economy of the Socialist Transformation," *New Left Review*, 1982
55. John Weeks, *Capitalism and Exploitation* (1981), p. 201, and Ben Fine, *Theories of the Capitalist Economy* (1982), p. 118. Their view is related to their idea that the FRP itself (unlike the main counteracting tendencies) "arises in production and can be developed for capital as a whole" (Weeks), i.e., without introducing interaction among different capitals. This is valid for the rising organic composition tendency, but (as our presentation shows) both the FRP and its counter-tendencies are expressed through the cycles and competitive relations at the "many capitals" level of analysis. Marx's judgment in postponing discussion of the FRP to Volume III of *Capital* was correct

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