

# A question on the falling rate of profit

Nick Beams  
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Dear Editorial Board,

Firstly I would like to express my deepest and sincerest gratitude and admiration for the work the WSWWS has done, and continues to do, in the interests of the international proletariat. I have only recently graduated high school, and your site, especially Mr Beams' articles, have been immensely useful and enlightening in furthering my understanding of Marxism.

That said, I would much appreciate any assistance you could give on several troubling theoretical problems I've been struggling with. In his response to a letter concerning the falling rate of profit, Mr. Beams writes: "The tendency for the rate of profit to fall arises from the fact that as the productivity of labour is developed the proportion of constant capital in the production process tends to rise."

Why is this? It seems that as time passes, the drive for higher productivity will obviously lead to the increased use of machinery; but will not the industrialisation of sectors which produce that machinery also increase, thus lowering prices and therefore not necessarily increasing the ratio of capital spent on "dead" or constant capital in relation to variable capital? While I feel a firm theoretical logicity is shown in the basic conceptions of surplus value and the equalisation of profit, this aspect of Marxian political economy troubles me, and I have been unable to find much help in *Capital*. Perhaps I am misunderstanding?

In any case, I would like to applaud your warning later on in the said correspondence against a passive, mechanistic view of Marxism.

"The aim of our analysis is not to show that capitalism will 'collapse' at some point in the future ... [but to examine current trends, a situation] which can only be resolved through the socialist transformation of society."

But this leads me to my second question: how can Marxism avoid the double ills of deterministic fatalism on the one hand and ahistoric, unscientific conceptions of "free will" on the other? I recently read Marx's *Theses on Feuerbach* and found them spectacularly perceptive; however, I am troubled by what seems to me to be the rather Cartesian bent of the whole thing, assuming a separation between thought and the concrete. In my studies this sort of thing seems to have very little grounding in a scientific sense; and indeed, much Marxist thought seems based upon gaining an understanding of the social construction of reality. But if one is to assume thoughts are derived from the social construct, how can one "choose" to promote ideologies to "fight it out" with capitalistic ones? How can one have an "active philosophy" without devolving into Kant-ish Idealistic gobbledygook? All this seems troubling, but again, perhaps my understanding is incomplete. Have you any thoughts, comments or recommendations of works on the matter?

Lastly, I would like to apologise for the probably terse and scattered sound of this letter; I'm writing it on a limited time span at a friend's house. I would greatly appreciate any help you could offer regarding either of the above questions, and eagerly await your response. Please keep up the excellent work.

In solidarity and thanks,

TD

Dear TD,

Thank you for your e-mail. The questions you raise are important ones.

It is true, as you point out, that an increase in the social productivity of labour will tend to cheapen the costs of constant capital (raw materials and machinery) and thereby counter the tendency of the rate of profit to fall.

Marx takes up this issue in Chapter XV of *Capital Volume III* where he deals with "counteracting influences". He prefaces this section by saying that given the changes over the previous 30 years (this was written in 1863), in particular the enormous growth of fixed capital, the task of the economist was to explain why the rate of profit had not fallen faster. Among the factors checking its fall, Marx points to the cheapening of the items of constant capital. This raises the question: Can it prevent it altogether?

Marx also deals with this question more extensively in *Theories of Surplus Value*. Before coming to his remarks there, let me make a few points about how we should consider the formation of the average rate of profit and its tendency to fall.

At the beginning of his discussion of the formation of the average or general rate of profit, Marx makes clear that in spite of great changes in the various spheres of production "any real change in the general rate of profit, unless brought about by way of an exception by extraordinary economic events, is the belated effect of a series of fluctuations which require much time before consolidating and equalizing one another to bring about a change in the general rate of profit" [*Capital, Volume III*, p.164].

That is, we are dealing with processes operating over the long term. This is important to keep in mind when considering the question of the increase in the social productivity of labour.

Long-term changes in labour productivity do not arise from marginal improvements in an existing method of production but involve the development of whole new systems of production. Consider some of the major developments in the history of capitalism. The continuous-flow production methods that developed in the latter part of the 19th century (particularly in the US), and which culminated in the introduction of the assembly-line method of production in the first part of the 20th, were not an extension of previous methods but involved the development of entirely new systems. Likewise, the changes that have been implemented over the past two decades through computerisation involve different systems and are not merely a more productive version of previous methods.

In his discussion of this question in *Theories of Surplus Value* Marx writes:

"There can be no doubt that machinery becomes cheaper, and this for two reasons: [1] The application of machinery to the production of raw materials from which the machinery is made. [2] The application of machinery in the transformation of these materials into machinery. In saying this, we already say two things. *Firstly*, that in both these branches, compared with the instruments required in the manufacturing industry, the value of the capital laid out in machinery grows as compared with that laid out in wages. *Secondly*, what becomes cheaper is the individual machine and its component parts, but a system of machinery develops; the tool is not simply replaced by a single machine, but by a whole system, and the

tools which perhaps played the major part previously ... are now assembled in thousands. Each individual machine confronting the worker is in itself a colossal assembly of instruments which he formerly used singly ... But in addition, the machine contains elements which the old instrument did not have. Despite the cheapening of individual elements, the price of the whole aggregate increases enormously and the [increase in] productivity consists in the continuous expansion of machinery” [*Theories of Surplus Value, Part III*, p. 366].

That is, while the elements of constant capital may be cheaper, new systems of machinery embodying a far greater value in total will now be employed by each worker. In fact, it is only through the development of such systems that the development of the productivity of labour takes place in the long term.

Furthermore, Marx goes on to point out that the cheapening of some elements of constant capital may also expand the system of machinery. For example, if the source of power becomes cheaper this means that the amount of capital laid out on machinery will be greater and each worker (living labour) will set in motion a greater quantity of “dead labour”.

Marx concludes by saying that: “It is therefore self-evident or a tautological proposition that the increasing productivity of labour caused by machinery corresponds to increased value of the machinery relative to the amount of labour employed (consequently to the value of labour), the variable capital” [ibid].

This is because an increase in the productivity of labour to any significant degree involves the development of new systems of machinery in which the cheaper individual components are now only part of a much greater whole.

To return to our starting point. The increasing social productivity of labour is expressed in the tendency of the rate of profit to fall because in any given quantum of capital, upon which the rate of profit is calculated, there will tend to be smaller proportion of living labour (the sole source of surplus value). The cheapening of machinery may check this tendency but it cannot completely block it.

On your second question, you seem to have misunderstood Marx’s *Theses on Feuerbach* if you consider them to have a “Cartesian bent” and “assuming a separation between thought and the concrete.”

Marx begins his theses precisely by stating his opposition to such separation: “The chief defect of all hitherto existing materialism—that of Feuerbach included—is that the thing, reality, sensuousness, is conceived only in the form of the object or of contemplation, but not as human sensuous activity, practice, not subjectively.” The problem with Feuerbach, he goes on to say, is that he “does not conceive human activity itself as objective activity.”

The problem raised by Descartes is the following: it is clear that there is a separation between the world of thought and the world outside of thought. But if this is a case, then there arises the problem of how these two worlds interact. How is it possible to go from the world of thought, to develop concepts, and then act in the real world on the basis of those concepts and find that the world of thought and the world outside of thought can be in agreement?

Having posed the problem Descartes was unable to resolve it except through the intervention of God as a kind of “third term” which united the two separate worlds and made them agree.

There is no way of resolving this problem in the terms set out by Descartes. It was Spinoza who first advanced the solution. The reason why thought and the world cannot be united is because they should never have been separated in the first place. There are not two separate halves, body and thought, but a single object, the thinking body. Nature is not only extended in space, it also thinks. If thinking is carried out by a body existing in space, then it follows that there is not some kind of impenetrable barrier between the physical world and the world of thought. God is not required to unite the two worlds, as Descartes thought, because

they are already united in the thinking body, which exists in the physical world.

Marxism is grounded on this materialist outlook. Thought is the product of matter organised in a particular way. Plekhanov recounts the following exchange with Engels. “So in your opinion old Spinoza was right in saying that *thought* and *extension* were nothing but two attributes of one and the same substance? ‘Of course,’ answered Engels, ‘old Spinoza was quite right’” [Plekhanov, *Selected Philosophical Works, Volume II*, p. 339].

Rather than “assuming a separation between thought and the concrete” Marxism, like all scientific thinking, rejects the absolute separation of the subject and the object. Man is a thinking being, a part of Nature, who, by his labour, changes Nature and by so doing changes himself.

“Labour,” Marx wrote, “is, in the first place, a process in which both man and Nature participate, and in which man of his own accord starts, regulates and controls the material reactions between himself and Nature. He opposes himself to Nature as one of her own forces, setting in motion arms and legs, head and hands, the natural forces of his body, in order to appropriate Nature’s productions in a form adapted to his own wants. By thus acting on the external world, he at the same time changes his own nature. He develops his slumbering powers and compels them to act in obedience to his sway.”

Note here that Marx does not say that Nature changes man. Rather, man through his actions on and in the external world, as part of Nature, changes himself.

He then goes on to explain the role of consciousness in this process:

“A spider conducts operations that resemble those of a weaver, and a bee puts to shame many an architect in the construction of her cells. But what distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality. At the end of every labour-process, we get a result that already existed in the imagination of the labourer at its commencement” [*Capital, Volume I*, pp. 173-174].

Man, as this passage emphasises, is not a passive product of the objective world but actively creates it and creates it first in thought and imagination.

What does this have to do with the laws of capitalist development? The central point I have sought to emphasise is that the very development of the productivity of labour which capitalism has engendered has now given rise to an historic crisis. The continuation of the profit system quite literally poses the greatest dangers for the continuation of civilisation.

The working out of the objective laws of the capitalist mode of production have made socialism—the abolition of the profit system and the assumption by man of the conscious control of his own social organisation, replacing the blind destructive anarchy of the market—an objective historical necessity.

Will it be realised? That depends upon the development of a political movement which consciously aims at unifying the working class (the world’s producers) in the struggle for international socialism. Such a movement will not emerge spontaneously. It will require the making of choices, the taking of decision, the exercise of “free will”, the application of scientific analysis and the use of imagination on the basis of a scientific analysis of the objective laws of capitalist development.

As far as further reading is concerned, I would recommend Engels’ *Anti-Duhring* and Plekhanov’s *The Development of the Monist View of History*. You should also download the lecture by David North entitled *Reform and Revolution in the Epoch of Imperialism* which deals with some of the issues you have raised.

Yours sincerely,  
Nick Beams



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