

Notes on Marx's *Capital*, Volume 3, Part Three: The Law of the Tendential Fall in the Rate of Profit

Chapter 13: The Law Itself

- Since surplus value is measured against variable capital, and profit is measured against total advanced capital, the same rates of surplus value can correspond to wildly different rates of profit (due to changes in the constant part of the capital advanced).
- *“The same rate of surplus-value, therefore, and an unchanged level of exploitation of labour, is expressed in a falling rate of profit, as the value of the constant capital and hence the total capital grows with the constant capital’s material volume.”* (pg. 319)
- If this change in composition does not happen just for an individual capital but for the total social capital, then there is a gradual fall in the general rate of profit.
- This tendency does take place. Variable capital generally plays an increasingly secondary role in production, and constant capital in the form of improved machinery and larger sums of raw materials plays a relatively increasing role.
- The total value of each product diminishes as a result of this.
- *“We shall show later on why this fall does not present itself in such an absolute form, but rather more in the tendency to a progressive fall.”* (pg. 319)
- *“The progressive tendency for the general rate of profit to fall is thus simply **the expression, peculiar to the capitalist mode of production, of the progressive development of the social productivity of labour.**”* (pg. 319) (Emphasis in original)
- The general rate of profit may temporarily (or permanently, I believe) fall for other reasons, but there is firstly a tendency for it to fall as a result of the decreasing role

played by variable capital in production and the decreasing relative place of surplus value within the total social capital.

- We are momentarily leaving out the ways in which profit is divided in society so as to show the general nature of the law. We deal not with profit in its different and independent forms but only in its essence as the appearance of surplus value, a surplus value that is decreasing relative to the total social capital. (pg. 320)
- Differences in composition and general rates of profit exist not just at different times in one country but also between countries who are at different stages of development.
- If labour is less productive/less time is spent doing surplus labour in the less developed country, then the relationships between these countries could be reversed.
- Differences also derive from whether or not production is even all done on a capitalist basis in these countries.
- Differences also arise between developed capitalist countries based on their rates of surplus value, the length of the working day, etc.
- *“The relative decline in the variable capital and increase in the constant capital, even while both portions grow in absolute terms, is, as we have said, simply another expression for the increased productivity of labour.”* (pg. 322)
- That the rate of surplus value, of exploited living labour, falls relatively in the production process does not prevent it from increasing in absolute terms.
- *“The fall in the rate of profit does not arise from an absolute decline in the variable component of the total capital but simply from a relative decline, from its decrease in comparison with the constant component.”* (pg. 323)

- *“The capitalist production process is essentially, and at the same time, a process of accumulation.”* (pg. 324)
- The drive for accumulation produces an increasing population of workers to be exploited for surplus, particularly in the form of the surplus population talked about in volume one, and also a more rapid increase in the role played by constant capital in production and the total social capital.
- *“The same laws, therefore, produce both a growing absolute mass of profit for the social capital, and a falling rate of profit.”* (pg. 325) (Dialectics, self-sundering)
- The same amount of value represents a progressively larger number of use values.
- *“The reasons that concentrate massive armies of workers under the command of individual capitalists are precisely the same reasons as also swell the amount of fixed capital employed, as well as the raw and ancillary materials, in a growing proportion as compared with the mass of living labour applied.”* (pg. 326) (Restatement of last quote)
- Capitalist production eventually develops a surplus working population which is not set aside because of a decrease in productivity but because of an increase. People are forced out of work (because of technology, etc) not because the companies are slowing down.
- *“In general, if the mass of profit is to remain the same with a declining rate of profit, the multiplier that indicates the growth in the total capital must be the same as the divisor that indicates the fall in the profit rate.”* (pg. 329)
- There is an increase in the amount of constant capital needed to put the variable capital to work, and thus a permanent surplus population is formed. (pg. 330)

- The vulgar economists think the fall in the rate of profit is the result of capitalists deciding to lower their rate of profit because they will receive more in absolute terms.
- The mistaken ideas about capitalism are the result of capitalism itself. (pg. 332)
- Commodities are made cheaper as they contain both less living labour and less dead labour, since both work and raw materials or means of production are saved on.
- The absolute amount of surplus contained in a single commodity or part of the mass of commodities also drops as the surplus falls relative to the total capital.
- The rate of profit calculated based on the year is not the same as the rate of profit based on the number of turnovers unless there is only one turnover in the year.
- *“If industrial productivity increases, the price of the individual commodity falls. Less labour is contained in it, both paid and unpaid.”* (pg. 336)
- A fall in the price of a commodity does not necessarily tell us that the rate of profit has fallen.
- The general fall in the rate of profit, which arises from the nature of capitalist production itself, appears on the surface like a scheme by the individual capitalist to lower prices, makes less profit on each commodity, so as to make a larger sum of profits in total. (pg. 337)
- The capitalist thinks they come to profits by ascribing a price to an individual commodity and then multiplying, instead of deriving the price of the commodity by division.
- This is because competition presents capitalism in an upside-down way, a way the vulgar economists love to represent and reproduce in their works.

Chapter 14: Counteracting Factors

- The reason the fall is not more pronounced, and why Marx only refers to it as a “tendential fall,” is because there are counteracting factors.

1. More Intense Exploitation of Labour

- An increase in the absolute or relative surplus value resulting from extension of the working day, intensification of labour, etc, leads to an increase in profits (and a relative decrease in the role of constant capital) that acts against the tendential fall.
- The drive for relative surplus value involves typically two counteracting tendencies, one towards increasing the quantity of labour which counts as surplus and the other which pushes towards the minimization of labour involved in the production process. These result in a rise in the rate of surplus value but a simultaneous fall in the mass of surplus value produced by a given capital, ie, a fall in the rate of profit, as less labour is able to be exploited. This “forms the real secret of the tendential fall in the rate of profit.” (pg. 340)
- Increases in the productivity of labour which do not also involve an increase in the part played by constant capital (ie, improved technique) slow the fall.
- Temporary increases in the rate of profit for certain businesses as the result of inventions which have not become general also counteract the fall.
- The mass of surplus value depends on the rate of surplus value and the number of workers. The factors that increase the rate of relative surplus value lead to lower numbers of workers. If this is not to lead to a decrease in the mass of surplus value, the relative increase in the rate of surplus value must more than compensate for it.

- With a consistent amount of capital, the rate of surplus value may rise while the mass falls and vice versa. The mass is equal to the rate times the number of workers. The rate is not calculated on the total capital but only on the variable. *“Once the size of the capital value is given, however, the rate of profit can never rise or fall without a similar rise or fall in the mass of surplus-value.”* (pg. 342)

2. Reduction of Wages below their Value

- This is *“one of the most important factors in stemming the tendency for the rate of profit to fall.”* (pg. 342)

3. Cheapening of the Elements of Constant Capital

- As explained in part one of the book, a fall in the relative role played by constant capital results in an increase in the rate of profit.
- Because the same increase in productivity that causes the rate of profit to fall also causes the component parts of constant capital to become cheaper, it is possible that the larger number of use values can be taken in at a cheaper price and thus the actual value composition of the constant capital may remain the same despite its physical swelling.

4. The Relative Surplus Population

- The surplus population keeps wages down in certain sections and also supplies cheap labour to new industries (especially in luxuries) which tend to have higher rates of profit. These higher rates push back against the fall of the older industries. Capitalism causes the fall and acts against itself in stopping the fall.

5. Foreign Trade

- Foreign trade both cheapens constant capital and devalues variable capital.

- The world market was a precondition for capital, but it is also the result of the development of capital, as it always needs new markets.
- Higher profit rates in other countries can be taken advantage of to help stabilize the rate of profit in the home country. Commodities may be sold at above their value but still cheaper than the other country can produce, and commodities can be bought or produced there which are cheaper than their domestic counterpart despite containing more surplus.
- Interestingly, Marx refers on pages 345-46 to the benefits of lopsided trade being reaped by a particular class in the privileged country as being akin to the relationship between labour and capital in general.
- These benefits, however, also result in a reduction in the role played by variable capital at home and a relative overproduction of commodities in relation to the foreign country.
- The law is simply a tendency that is only realized over long periods. (pg. 346)
- Summary on pages 346 and 347.
- *“The profit rate does not fall because labour becomes less productive but rather because it becomes more productive. The rise in the rate of surplus-value and the fall in the rate of profit are simply particular forms that express the growing productivity of labour in capitalist terms.”* (pg. 347)

6. The Increase in Share Capital

- In more developed capitalist societies, a certain part of capital is often set aside to a crew interest. This does not generally enter into the general rate of profit, and if it did would lower the general rate.

Chapter 15: Development of the Law's Internal Contradictions

1. General Considerations

- Not only does the profit rate express the rate of surplus value lower than it is, it also tends to express a rising rate of surplus value with a fall in its own rate, that of profit. Profit rate = surplus value rate, only if $c = 0$. Thus, a falling rate of profit only expresses a falling rate of surplus value if c does not change or falls in proportion to v .
- *“A fall in the profit rate, and accelerated accumulation, are simply different expressions of the same process, in so far as both express the development of productivity.”* (pg. 349)
- Accumulation pushes along the fall in the rate of profit, and the fall in the rate of profit pushes along (the mass, more than the rate of) accumulation, largely through centralization, etc.
- The rate of profit is the “spur” to capitalist production, and valorization is its “sole purpose.” (pg. 349-350)
- The falling rate of profit hinders the formation of smaller capitals and promotes overproduction, speculation, and crises. It leads to the existence of excess capital and a surplus population. This shows how capitalism, far from being able to maximize the production of material wealth, use-values, actually presents a false barrier to it.
- Because the rate of profit is measured as s / C or p / C , it does not matter into what forms s is distributed or in what proportions. It does not matter if p_1 (industrial profits), i (interest), or r (ground-rent) rise or fall in proportion to each other, as long as the general relationship of s / C is not disturbed by it.

- *“[T]he capitalist production process essentially consists of this production of surplus-value, represented in the surplus production or the aliquot portion of commodities produced in which unpaid labour is objectified. It should never be forgotten that the production of this surplus-value - and the transformation of a portion of it back into capital, or accumulation, forms an integral part of surplus-value production - is the immediate purpose and the determining motive of capitalist production. Capitalist production, therefore, should never be depicted as something that it is not, i.e. as production whose immediate purpose is consumption, or the production of means of enjoyment for the capitalist. This would be to ignore completely its specific character, as this is expressed in its basic inner pattern.”* (pg. 351) Extremely important.
- Surplus value may be extracted from the workers, but that does not mean it is able to be realized on the market. The conditions for exploitation and the conditions for the realization of the fruits of exploitation are not identical.
- Realization of surplus value is not just determined by the needs of consumption but by the specific needs of consumption for a society torn by class antagonisms, where the majority of the population is pressured to live within the realm of minimum consumption, and where certain levels of consumption must always be set aside for the expansion of production and accumulation. Capitalism tries to cope with these antagonisms by expanding the market outward across the globe and into new industries.
- This outward growth becomes increasingly uncontrollable.

- Excess capital thus exists alongside a surplus population for plain reasons. To combine them might heighten the production of surplus value, but it would not bring its realization up to the same level and would consequently intensify the contradiction between the two.
- Rate of profit given, the mass of profit depends only on the mass of capital advanced. Accumulation depends on the mass of profit left over after a certain section of it has been consumed by the capitalist as revenue and also on prices of the capital to be accumulated.
- *“The rate of profit does not fall because the worker is less exploited, but rather because less labour is generally applied in relation to the capital invested.”* (pg. 354)
- *“It is in fact this divorce between the conditions of labour on the one hand and the producers on the other that forms the concept of capital, as this arises with primitive accumulation, subsequently appearing as a constant process in the accumulation and concentration of capital, before it is finally expressed here as the centralization of capitals already existing in a few hands, and the decapitalization of many. This process would entail the rapid breakdown of capitalist production, if counter-acting tendencies were not constantly at work alongside this centripetal force, in the direction of decentralization.”* (pg. 355) Important for theories of capitalist breakdown and crisis.

2. The Conflict between the Extension of Production and Valorization

- The development of the social productivity of labour under capitalism is reflected by the size of the productive forces already produced and the capital already accumulated, and by the relatively low variable capital component of the capital in production, ie, by the relatively small role played by labour in production or the relatively small amount of labour needed for valorization.

- Labour power which is involved in this increasing productivity experiences both a rise in surplus labour relative to necessary labour and a fall in the amount of labour power relative to the total capital. These movements are simultaneous and contradictory.
- *“As the capitalist mode of production develops, so the rate of profit falls, while the mass of profit rises together with the increasing mass of capital applied.”* (pg. 356)
- Marx refers to use-values as the “material substratum, the objective elements” of capital. (pg. 356)
- The amount of labour which can be employed by capital is determined firstly by the actual physical mass of the means of production, raw materials, etc, and not by the value of these elements. (A machine which requires 3 to operate does so whether the machine has a value of 10 or 5.)
- There are contradictions in these counter tendencies. Capital pushes for an increase in the working population, but it also increasingly drives them to the form of a surplus. The mass of capital grows and yet is devalued. The mass of profit grows, and yet its rate decreases. Labour becomes more productive, and so labour falls relative to constant capital.
- *“Crises are never more than momentary, violent solutions for the existing contradictions, violent eruptions that re-establish the disturbed balance for the time being.”* (pg. 357)
- To put the contradiction generally, capitalism tends to increase the productive forces irrespective of value and surplus value while also having the bolstering and valorization of that value as its entire purpose.

- The devaluation of existing capital is one way in which capitalism tries to stop the fall of the rate of profit.
- *“Capitalist production constantly strives to overcome these immanent barriers, but it overcomes them only by means that set up the barriers afresh and on a more powerful scale. The **true barrier** to capitalist production is **capital itself**. . . If the capitalist mode of production is therefore a historical means for developing the material powers of production and for creating a corresponding world market, it is at the same time the constant contradiction between this historical task and the social relations of production corresponding to it.”* (pg. 358-359) (Emphasis from original)

3. Surplus Capital alongside Surplus Population

- Lowered rates of profit mean higher barriers to entry for small businesses. This means greater concentration, and greater concentration means lower rates of profit.
- Surplus, or unoccupied, capital develops at the same time as the surplus, unemployed working, population, yet the two stand on opposite poles.
- Overaccumulation of capital (overproduction of capital, though not of commodities in general) takes place on absolute terms whenever the mass and rate of surplus value can no longer be increased, where the new capital can do nothing but simply reproduce itself on the same, or a lesser, scale.
- In this situation, a certain section of capital would be made idle and the rest would be valorized at a lower rate of profit, due particularly to pressure from the wasted capital.
- There would be both a reduction in the rate and the mass of profit.

- Competition and struggle would break out between the capitalists. When the rate of profit is generalized and each pulls out comparable amounts, their competition is a play to them. When in crisis, when all they will share is losses, their competition becomes a bitter fight between enemies.
- The way the crisis is corrected (a better way of saying this might be “The way capital is put back on track” or something of the like) is by a certain section of capital being removed from the equation, by idleness and actual destruction, both in terms of value and use-value.
- The first and hardest hit is value, and especially those realms in which value exists without a physical form, such as in future claims on surplus value and profit, credit, etc.
- As price and credit systems collapse, money loses its potency as a means of payment, and the entire reproduction of capital which depends upon these things is broken and decelerated.
- The crisis leads to an increase in the idle population as well as a reduction in wages for those working.
- Innovation and reorganization steps in as the capitalists competition drives the value of products even lower. This devaluation of constant capital increases the rate of profit, and yet it also pushes more workers out into the surplus population.
- Overproduction of capital is not an overproduction of means of production in general but only of means of production in so far as they function as capital, ie, can serve in the process of valorization.

- *“Overproduction of capital never means anything other than overproduction of means of production - means of labour and means of subsistence - that can function as capital, i.e. can be applied to exploiting labour at a given level of exploitation; a given level, because a fall in the level of exploitation below a certain point produces disruption and stagnation in the capitalist production process, crisis, and the destruction of capital.”*
(pg. 364)
- The fact that surplus capital is accompanied by a surplus population, idle means of production by idle workers, seems contradictory, but both really have the same cause.
- *“If capital is sent abroad, this is not because it absolutely could not be employed at home. It is rather because it can be employed abroad at a higher rate of profit.”* (pg. 364-365)
- The capital is surplus capital for the home country, and there is also a surplus population now in the home country. The two reciprocally condition one another.
- The point at which breakdown or overproduction happens is relative, even if absolute for the system itself, ie, it starts at different levels but always starts.
- The limits of capital are not necessarily limits of production in general. They are specific limits.
- *“It is not that too many means of subsistence are produced in relation to the existing population. On the contrary. Too little is produced to satisfy the mass of the population in an adequate and humane way.”* pg. 366)
- *“It is not that too much wealth is produced. But from time to time, too much wealth is produced in its capitalist, antagonistic forms.”* (pg. 367)

- The barriers to the capitalist mode of production show themselves as follows: 1) The development of labour productivity eventually undermines labour productivity itself. 2) That the production of social needs is not necessarily tied to the production of profit, and in fact production stops when the latter is threatened even at the cost of the former.
- *“It is the rate of profit that is the driving force in capitalist production, and nothing is produced save what can be produced at a profit.”* (pg. 368)

4. Supplementary Remarks

- Labour productivity does not advance at a uniform pace across all industries, and in fact it also regresses at times. This can be due to any number of factors, even the fact that labour which is done upon nature undermines itself by being more productive. The quicker you deforest an area, the less you can deforest it, etc.
- While the circulating portion of constant capital tends to grow in mass as productivity increases, the fixed portion tends to become more centralized. Even if the individual machine gets bigger or more valuable, it tends to transfer less value to each commodity it produces, at least relatively.
- Commodities are made cheaper by increased productivity, as both labour power and the means of production are devalued.
- Capitalism does not try to increase labour productivity absolutely. Instead, it attempts to save on the costs of paid labour and so only increases labour productivity when it will result in that end. The result being that more efficient ways of production are forgone because they would not be profitable and would also require the wasting of preexisting means of production, etc. (pg. 371)

- Capitalism is thus in contradiction with itself. One of its great historical merits is that it rapidly increases labour productivity. But now, it is the biggest barrier to the furthering of that mission. It has outlived its historical place.
- Increased labour productivity, and specifically the resulting more expensive individual means of production, make the starting of small capitals difficult or impossible.
Therefore, capital finds itself starting off small in new sectors instead of old ones.
- A lot of capital accumulation happens without a change in the organic composition and so without affecting a fall in the rate of profit. In fact, it anchors capital against the fall.
- Capitalism may develop the productive forces to a point, but then it stalls them. (pg. 372)
- The drive to maximize surplus labour time ends up undermining labour time in general. Society gains what should be free time, but this time outside the realm of production is superfluous to capital.
- The contradiction between capital as social power and capitalists as private holders of that power grows and intensifies as the productive forces are made communal.
- *“No capitalist voluntarily applies a new method of production, no matter how much more productive it may be or how much it might raise the rate of surplus-value, if it reduces the rate of profit. But every new method of production of this kind makes commodities cheaper. At first, therefore, he can sell them above their price of production, perhaps above their value.”* (pg. 373)
- The capitalist is able to do this by producing at less than the socially necessary amount of labour. But competition will universalize these advancements and the rate of profit will fall. (pg. 373-374)