The mass, rate and Marxist rate of profit

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During the recent debate on the world economy much has been made of bourgeois statistics in understanding the development of the capitalist economy. Certainly, such statistics are necessary in developing a rounded analysis but an uncritical acceptance of them inevitably leads Marxists into errors.

This has certainly happened in the recent debate between the majority and the International Tendency where comrades from the latter erroneously identified bourgeois economic categories with Marxist ones. It is this I want to address below.

In so doing however I will only deal with questions of the production process as it relates to profit ? questions of debt etc will have to be taken up another day. Examples are from the US economy, which while it is of course not the world capital system, does illuminate trends particularly given it is the dominant force (as Bill himself said in IIB 159).

First, it?s worth noting some general warnings around the use of bourgeois statistics:

The bosses lie

We need only remember the collapse of Enron, whose two chief execs were recently found guilty of embezzlement and claiming Enron was worth billions of dollars. Inventing billions of profit that didn?t exist, Worldcom was another example of the same corruption. Enron wasn?t a small outfit, for a period it was regarded as the USA?s most dynamic company. This business practice is sometimes known as pro-forma profits- ?say whatever you want? - and was prevalent among dotcom companies, and continues to this day.

They use dodgy accountancy practices

Related to this, is the general use of dodgy accountancy practices, which are often condoned by government or independent regulators (such as Arthur Anderson the accountants destroyed by the Enron scandal). For example to boost profits in the 1990s, companies in the US introduced non-recurring expenses, which are then added back into operating profit (for example one off measures such as lay-offs sometimes come under this category). They gave stock options to top managers that in the late 1990s grew to one fifth of non-financial corporations profits but are not regarded as a cost.

They make arguments to affirm their class power

Most importantly, bourgeois statistics are ideological based arguments about the world around us not simple ?empirical data?. The bourgeoisie measures what it wants to measure and its outlook and class position limits its understanding of the real movement of society. For example both Adam Smith (18th century) and David Ricardo (19th century) knew of the tendency of the rate of profit to fall but they couldn?t understand or explain it. Ricardo for example blamed it on the using up of natural resources.

What they couldn?t understand was that it arose from the very nature of capitalism. That is why Marx?s brilliance lays in critiquing capitalist theories and categories to understand the real dynamics of the system. The capitalists can only understand the appearance of social phenomena, Marxism goes beyond appearance and look at essences. That is why bourgeois statistics have to be used carefully if any truth is to be derived from them. An example of ideological nature would be a ?fair day?s wage?; it appears to be fair, you might be happy with it, but in reality you have been paid a lot less than you produced.

Bourgeois measures for profit

There is another, more pertinent, example of the ideological nature of statistics: the varying bourgeois measures of profit. The capitalists have several measure of using profit rates: pre tax and post tax, with or without inventories, with or without depreciation, total disposable profit, profits from current production and so on.

And they can all give different figures. Here are some examples in percentages of corporate profits from the US

2004 2005
Profits before tax 13 35.8
Profits after tax 11.3 9.4

Before Bill, Keith H or any other member of the faction gets too excited about the 2005 pre tax profits, the BEA puts the huge increase down to the Job Creation Act 2002 and the Jobs and Growth Tax Relief Act 2003, which again shows the effect of legislation on capitalist profits.

The BEA said discounting that amount of pre-tax profits, which accrued from the new Acts then pre tax profits, would have been inline with profits from current production (again, another category) a jump of about 3 percentage points (about 20-25 per cent increase).

These figures show the economy going in opposing directions and large differences with post tax falling. It is difficult to base a perspective on two-years? profit figures. Also most of the figures (apart from the 35 per cent) are lower that figures in the mid 1990s and far lower than anything in the 1960s.

Problems calculating rate and mass of profits

We have seen how the bourgeoisie has several measures of profit, but they also include sources of surpluses that Marxists would discount.

For example, Marx states that transportation does not create surplus but is a claim on that of productive labour. So for example, the profits of Royal Mail are, if you want, the deferred profits of other companies and/or individuals. There are also debates about sections of government workers creating surplus as generally state workers are unproductive labour. However, with increases in privatisation this may well change with private companies seeking profits from, for example, the British National Health Service.

The safest way to calculate would be to use pre-tax profits but even here care must be taken as this category includes elements such as rents, shareholders dividends and even what the capitalists pay themselves, which are often not thought of as profits.

So for example if you wanted to calculate the percentage share of the mass of profit as part of total income you could use several methods, here are two:

1) Either pre-tax profits divided by National Income; or
2) Retained profits (that which accrues to the capitalist after they have paid out everything) plus shareholders dividends plus depreciation of stock plus inventories, rents, interest and so on divided by National Income.

As an aside, I once saw someone calculate the rate of profit using pre tax profits plus rents, interests, shareholders dividends etc. Suffice to say global capitalism was in a stellar boom. Their defence was that Marx divided surplus product into profit, rent and interest. They obviously did not know what bourgeois statistics measure.

Marxism and the rate of profit

For Marx, profit is surplus derived from labour (ie it is the difference between what the labourer is paid and what s/he produces), the mass of profit is the mass of surplus which has been realised (ie the commodities have been sold for money capital) and the rate of profit is the mass divided by the total of constant and variable capital.

Mass and rate therefore measure to different but connected things.

Both the Faction Perspectives (FP) and Bill have made much play with the increase in the mass of profits as somehow proof of the buoyancy of profit rates in the Marxist sense.

The FP even goes as far as saying that profit as a share of GDP is at a 75-year high in the US, which contradicts what nearly everyone else says and I can find no empirical data to support it.

Bill?s latest contribution is more circumspect only arguing that ?profit rates have been rising across the imperialist nations? and provides a very fetching diagram from The Economist showing profit as a percentage of GDP at 14 per cent in 2004, which is higher than at any period since 1980.

There is an implication in both documents that a growing mass of profit is equated with a rise in the rate of profit. But both Bill and the FP are confusing mass of profit with profit rate.

Bill states in his ?Why Michael?s still wrong on the world economy? (IIB 159) that: ?He (Michael) wants us to believe that there is a no rise in profit rates but only a rise in profit share. That there is an increase in the mass of profits but not their rate. Surplus value has risen but profit has not.? (page 37)

However, Michael is clearly correct. The reason being that for Marx the two categories measure different things. I use no less an authority than Marx himself.

In Capital Marx?s uses the following abstraction to demonstrate this. Here C = constant capital (machines etc), V = variable capital or labour, and P is the profit rate. Marx assumes that the worker produces the same for himself/herself as he does for the capitalist (ie the rate of exploitation is 100 per cent).

If
c = 50, and v = 100, then p? = 100/150 = 662/3%;
c = 100, and v = 100, then p? = 100/200 = 50%;
c = 200, and v = 100, then p? = 100/300 = 331/3%;
c = 300, and v = 100, then p? = 100/400 = 25%;
c = 400, and v = 100, then p? = 100/500 = 20%.1

(chapter 13, vol 3 of capital)

The amount of total capital (machinery plus labour) has risen, the amount of surplus (100) has stayed the same and the rate of profit has declined. These are very simplified schemas but what they show (and there are many more in Capital and elsewhere) that there can be a rise in the mass of profit and a decline in the rate of profit.

We need more than a graph from the Economist or an assertion of ?75-year highs in the mass of profit? to prove that the profit rate (in the Marxist sense and nor GDP rates) has been re-established at a higher level.

To further show the differences between the two measures here are two sets of percentage figures from Fred Moseley, who has been part of the debate on the profit rate in the US. Moseley attempts to calculate the rate and mass of profit using Marxist categories (see his articles for his method):

65 70 75 80 85 90 95 00
profit rate 24 17 12 10 13 14 15 16
share of profit 21 15 16 17 15 16 18 14

For example, 1975-80 was a low point for the rate of profit in the US but the share of profit (non financial corporate sector as share of total output) was higher than in 2000-1. Likewise an increase in rate of profit in the mid to late 1990s was accompanied by a decline in the share of profit. Because I used 5-year intervals, I should make comrades aware that the rate of profit in 1996 was 19 per cent and fell to 16 in 2000 (about a 15 per cent drop).

Furthermore, he points out that the rate of profit declines from 1947-77 by 47 per cent while the rate of surplus (the ratio of surplus value to labour value) increased by 17 per cent.

In fact, the mass and rate of profit generally have an inverse relationship. What happens is that at the outset of the period (and only at the outset after a destruction of capital ie a crisis or war) the rate will re-establish itself at a higher rate and the mass will grow, but quickly as the period develops the mass will continue to grow while the rate of profit will decline until there is mass of capital (over-accumulation) unable to be valorised i.e. unable to be invested if surplus, sold if products, used for production if machines. The result is a collapse of both mass and rate of profit precipitating a crisis.

This is the dialectical understanding of the beginning, development and decay of contradictions which can either become a falling away of the various parts into absolute opposition and destruction, or a synthesis at a higher level.

Marx is very specific about the contradictory nature of this aspect of capitalist development i.e. the inverse relation between mass and rate of profit:

"We have shown how the same causes that bring about a tendency for the rate of profit to fall necessitate an accelerated accumulation of capital and, consequently, an increase in the total mass of the surplus labour (surplus value, profit) appropriated by it? (Capital Vol. 3 p.224-5)

Marx referred to the law as a ?double-edged law of a decrease in the rate of profit and a simultaneous increase in the absolute mass of profit arising from the same causes.? (vol 3 p.220).

He is actually excoriating about the vulgar economists pointing ?self-consolingly to the increasing mass of profit? (Vol 3 p223) while the TRPF ?hangs ominously over bourgeois production?. He goes further: ?What deliberate falsifications some people resort in their calculations to spirit away the possibility of an increase in the mass of profit simultaneous with a decrease in the rate of profit.? (chapter 13, vol 3)

The key point is that rather than prove the health of the capitalist economy the increase in the mass of profit often hides its weakness.

What is the importance of this? It is that the tendency for the rate of profit to fall (TRPF) is the key to an understanding of the decline of capitalism and its crisis-ridden nature.

There is a constant drive for capitalists to introduce new machinery etc to gain short-term gains in surplus. In the medium term, new machinery is generalised throughout the industry but at the expense of labour, which is laid off because of the new technique. The result is an increase in constant capital over that of variable capital and so a rise in the organic composition of capital. It is this, which underpins the TRPF because only labour can produce surplus value (constant capital can only pass on to a commodity part of the labour value already embodied in it). If more machinery is replacing labour then over time the profit rate will fall as we saw with our earlier schema from Capital.

The relationship between constant capital and variable capital is called the Organic Composition of Capital (OCC) and it is measured in value not in fixed quantities. It is this that underpins the TRPF as a rising OCC represents a rise in the magnitude of constant capital in relation to labour and so will generally lead to a fall in the rate of profit.

Faction Perspective use of the OCC

Para 40 of the Faction Perspectives (FP) states that the global labour force has grown since the downfall of Stalinism from 1.4bn to 2.9bn, which has lowered ?the OCC by 55%-60% according to the OECD, raised the profit rate and had a depressive effect on wages.? This is a bold claim and one that doesn?t stand up.

First, we are presented with the remarkable fact the OECD is now using Marxist categories to understand the world. Maybe some centrist group has decided on a new entrism sui generis tactic or that the OECD is merely returning the praise heaped on it by some Marxists for its data!

I googled for weeks to find such a figure. the best I could come up with was an article in an email newsletter called The Globalist (June 2005) by a Harvard professor called Richard Freemen. Freemen makes the same argument, that the capital labour ratio has fallen by 55%-60%. Whether Freemen is connected to the OECD I don?t know but I will take his article as a source of the same analysis.

Freemen is actually far more circumspect than the FP. Yes, he does talk about how the huge influx will (note the use of the verb ?will?) undermine wages, open up new areas to the market and lead to cheaper products. He is also aware that the global economy is facing a ?more formidable transition than that associated with the recovery of Europe and Japan after WWII?. He also points to growing inequality in China and Japan. All this is far more balanced then the FP, which leaves us to ask why these correctives are left out of the FP?s consideration of the OCC?

Freemen also understands the nature of the capital labour ratio far better than the FP authors. He writes: ?If and when Russia gets its economic act together labour market pressures on educated and skilled workers will grow.? Note that with the ?if and when?, Freemen is being conditional. He knows that this extra 1.4 bn workers are potential not actual.

One only has to examine the figures to know this: China 700m (labour force 300m) Russia 240m (labour force nearer 80m). The capital labour ratio therefore is about potential workers compared with a static amount of capital, rather than the OOC that is a measure of constant and variable capital i.e. a real living dynamic relationship of production for surplus. Freemen knows the limits of his own category, why don?t the FP authors?

The logical errors continue once you examine how all these potential workers are to brought into capitalist production. Are the capitalists going to magically create factories, machines and raw material for these millions of workers to be employed in and to produce commodities. No, they will have to invest and so both constant and variable capital will rise and whether constant rises faster than variable will have to be investigated not simply asserted as the FP does.

Another article by Laura D?Andrea Taylor, dean of the London Business School, ?Behind the EU backlash? (Business Week July 2005) comments on Fremen?s article. D?Andrea Taylor correctly defines the capital labour ratio as ?the primary determinant of worker productivity and pay? but makes no mention of the value relationship between capital and labour. She goes on to say that most of this new labour will go into the expanding service sector (which according to latest figures from the EU accounts for more than 70 per cent of European jobs) quote Mckinsey?s Global Institute estimate that only 11 per cent of 1.46bn service jobs in the world could be performed in foreign locations at anytime.

She says ?Capital defined as not just physical capital but also social capital, such as laws and culture, and human capital, such as education, language skills, and experience ? is not nearly as mobile across borders as commonly thought.? Obviously, the dean of the London Business School understands this better than the FP.

Even empirically the FP is wrong. There is evidence that the capital labour ratio is rising in Europe, because of ageing working and despite immigration, and Japan where the population is ageing but immigration is negligible. Stats from the BEA has it rising in the US at 2.7 per cent for most of this decade (there is a recent fall in the past two years but I want to come to that later.) Therefore, the capital labour ratio, as used by the FP, is the wrong bourgeois category as an approximation to the OCC.

Most Marxists will use two measures: the capital intensity ratio (capital use to hours) and output per a unit of capital. However, again it is not easy to separate out these ratios from other factors. The capital intensity ratio for the US is included along with multi factor productivity growth and shifts in labour composition within the category of labour productivity. Again, using BLS statistics there does appear to be an increase in capital intensity from less than 1 percentage point in 2002-3 to 2003-4?s 2 percentage points (which would imply the OCC is rising by more than 50 per cent over two years). However, the ratio between capital intensity and shifts in labour composition is not know especially as there was a decline in investment during this period, which may have explained more use of capital.

The output per a unit of capital has an inverse relation to the OCC (i.e. when it falls the OCC rises) as it embodies the labour time in each unit. The most up to date figures for the US show an overall decline from 104.9 to 98.6 (2000=100) , which translates to a rise in the OCC. There are two upswings: from 102.9 in 1993 to 104.4 in 1994 and then a decline; and an upswing from 95.2 in 2003 to 98.6 in 2004.

This brings me to countervailing tendencies. Marx explained the tendency for the rate of profit to fall also faced countervailing tendencies including speed ups, longer days and the effects of new technology. There is a constant battle between the TRPF and the countervailing tendencies, otherwise capitalism would have already collapsed.

But some countervailing tendencies soon lose their force. For example, Faction members have pointed to the cheapening of commodities as something that negates the rise in the OCC. And in the short-term it can and does. But once the cheapening of commodities has become generalised and cheap capital and labour enter the production process anew then this particular countervailing tendency loses its vigour. This is a long quote but sums up well how the process of cheapening constant and variable capital still results in a lower rate of profit:

"No capitalist ever voluntarily introduces a new method of production, no matter how much more productive it may be, and how much it increases the rate of surplus value, so long as it reduces the rate of profit. Yet every such new method of production cheapens the commodities, hence the capitalist sells them originally above their prices of production, or perhaps above their value. He pockets the difference between their costs of production and the market prices of the same commodities produced at higher costs of production. He can do this because the average labour time required socially for the production of these latter commodities is higher than the labour time required for the new methods of production. His method of production stands above the social average. But competition makes it general and subject to the general law. There follows a fall in the rate of profit - perhaps first in this sphere of production, and eventually it achieves a balance with the rest - which is therefore wholly independent of the will of the capitalist.? (Capital Vol. 3 p.264-5)

?The fall in commodity-prices and the rise in the mass of profit on the augmented mass of these cheapened commodities is, in fact, but another expression for the law of the falling rate of profit attended by a simultaneously increasing mass of profit.?

On the ratios I examined regarding the US economy, it may well be that certain approximations to the OCC are showing short periods of countervailing tendencies. This would include 1993-5 and 2003-5, which would explain upswings in the rate of profit ? there is some evidence of more hours worked, lay-offs, and other such measures in the US economy from 2003.

However, let us be clear about this, I am only referring to temporary upswing or countervailing tendency. There is no evidence that the trend in the rise of the OCC has been lowered for any period other than a few years. The capital output ratio shows a rising OCC since WWII in the US of 30 per cent. In fact these countervailing tendencies are coming to the fore precisely in a period a general rise in the OCC and have so far been unable to reverse that trend.

A deeper look at some bourgeois statistics

Before looking at what Marxists say about the rate of profit I will look at two bourgeois measures of US pre-tax profits rate and retained profits.
Pre tax profit rates as share of total income first, which is usually written profit over National Income and is the starting point ? but only the starting point ? for calculating the rate of profit.

96 97 98 99 00 01 02 03 04 05
10.7 10.5 9.5 9.4 8.7 7.8 8.3 9.6 10.3 13

Again we have to be cautious because I have seen figures that put the upswings and downswings as far greater (including bourgeois stats that show lower rates in 2005 near 5 per cent). Other sources put the rate of pre tax profit at around 16 per cent in the 1990s down to a low of 6 per cent and then up to around 13-14 per cent in the last couple of years. We have seen Fred Moseley?s figures of profit share that puts the decline at more that 20 per cent in the late 1990s while Brenner has it around at around 15 per cent during the period and because of the methods that he uses his is most probably an understatement of the decline.

However, with the exception of 2005 (which I will come to later) the upswing in the past couple of years is still at a lower rate of pre-tax profit than that of the mid 1996-7. And these figures while higher than the 1970s are still around a third to more than half down on the 1960s where rates were more than 20 per cent.

Retained profits in the US

This is the amount left to reinvest after paying costs, taxes and shareholders and is an indication of surplus that the capitalist can reinvest (but not rate of profit). I have broken it down into several sectors (figures millions of dollars) to try to better grasp what is happening in the US economy.

00 01 02 03 04
US domestic 130,285 132,862 176,867 281,867 295,197

Manufacturing 814 -71,602 -70,494 -61,189 -44,436

Finance -23,913 3,271 28,248 52,790 42,225

Receipts from
Rest of world 116,206 128,835 107,951 146,246 148,980

Info services -68,247 52,163 -29,993 -36,418 -54,234

Management of
Companies and 32,192 47,231 56,014 56,730 57,329
Enterprises

(These are only the major sectors and there were many more smaller ones)

The first thing we notice is the more than doubling of retained profits over the past five years. Although the 2000 figure was a big drop from 1999?s $179,874 and not much greater than 1992?s $124,474.

We also notice the massive indebtedness of sections of US industry. Manufacturing is in debt for the whole period. Information technology, which includes broadcasting, films, software companies such as Apple and Microsoft, was another sector heavily in debt. Retained profits in 2001 are wholly reliant on receipts from the rest of the world. As the US economy came out of the recession post 2003 sections of it return to profitability with the finance sector and foreign profits being the major areas and the sector calling itself the management of companies (I presume they mean consultants such as Mckinseys).

These figures highlight the transient and weak basis of any profit upturn in the US at the moment. Its most productive sectors in terms of surplus production such as manufacturing and computers etc (which afterall were supposed to be driving the new boom of the late 1990s) are heavily indebted and making losses. US capitalism seems to be reliant on the management consultants, finance, and foreign receipts which, I think, accurately describes the parasitic nature of US capitalism.

Bill in an earlier contribution said that retained profits were a wrong measure because companies can go to the banks for loans etc (IIB 159). Well, here we have proof of the banks going to the banks for loans except of course it isn?t so profitable companies can invest but rather so weak sectors of the US economy can stay afloat, weak sectors which in former years were the mainstay of its profitability ? and in the case of information technology recently so. These sets of figures show how dependent US capital is on foreign wealth and borrowing in a period of a boom. Furthermore if companies do go to the banks for loans then they face interest charges and so on.

The Marxist debate on the US economy

Since the late 1980s there has been a debate about the decline of the US economy which came to greater notice in the 1990s with the contribution of Robert Brenner along with others such as Fred Moseley, Tom Weisskopf, Amar Shaikh, Levy and Dumenil, and others.

Several of the contributors constructed their analysis on the basis of the rate of profit in Marxist terms although there are still differences over methods, estimations and debates over causes of the decline. However, there is a consensus that the 1950s and 60s saw profit rates of more than 20 per cent in US corporate industry. Then there was a steep decline unto 1973-75. Doug Henwood puts the decline from 10 per cent to 4 per cent in 1976 (se Mikki?s article in IIB 159), Moseley has it falling from 21 per cent to 10 per cent in 1980, while Brenner has less of a fall to above 10 per cent in the 1980s. All therefore agree on a nearly 50 per cent decline.

The next period which they all agree on is a return to profitability around 1993-6, Brenner says it was the first time the rate was had reached 1973 levels (just before the fall), Henwood agrees and puts it at around the 7 per cent mark (his figures are consistently lower than the rest but this is the 1973 mark for him). Moseley has a rise form 1984 which peaks at 15 per cent in 1990 and then again in 1995. However, all these figures are at least a third or more down on the levels in 1950s and 1960s i.e. there has been no return to the long boom period. Furthermore, the profit rates show a degree of unevenness, sharp upswings and downswings, not present in the earlier period.

On the back of this increase both Moseley and Brenner state that the Federal Reserve Bank?s dollar re-evaluation upwards killed off the rise in profit rates and led to the speculative boom in the late 1990s. Brenner says that the rate dropped by 15 per cent, Henwood has a drop of about a third and Moseley of about a quarter (although his fall is from 1997). Moseley says that the dollar re-evaluation also precipitated the South East Asian recession as capital went to the US post 96.
Brenner and Moseley are now saying that debt is fuelling the US economy growth and the rise in profits (Moseley?s latest figure is about 18 per cent for 2004, high, but he states this not yet the year on year plus 20 per cent growth in 1950s and 1960s) and the economy will not stand any increase in interest rates.

A brief note on 2003-5

There are some processes at work that may lead to increased profitability during this period but I believe to be short-term.

Firstly, the legal changes in the US, which have remarkably boosted pre tax profits in the US to 35 per cent in 2005 because they allowed accelerated depreciation and raised before-tax profits. The BEA states that under normal circumstances these increases should have occurred in line with other measurements such as profits on current production, which rose from 12.6 to 16.4 per cent ? just under a quarter. Profits before tax in 2004 were 13 per cent so it should have been around 17 per cent mark.

There is also evidence that this has boosted the bourgeois measures for profit mass. Figures for retained profits have doubled to over 500 million in 2005. I can?t yet get a break down but receipts from foreign earnings seem to have fallen off so it looks like this legal change has boosted a domestic upturn.

Lastly, measures of the OCC. I wrote earlier how there appears to be some countervailing tendencies at work in 2004-5, which may also account for the rise in profitability. However, legal changes and short-term reverses in the OCC are no basis of a long-term return to profitabilty of the long-boom type.

Tendency towards stagnation

The FP platforms defines the ?tendency towards stagnation? as the tendency of monopoly to suppress technological innovation and that this has been offset by globalisation. By redefining the tendency towards stagnation in such a narrow way the FP actually commits an error. As defined, inhibiting technological change, the tendency to stagnation is an ever-present feature of accumulation let alone over accumulation.

For example, here is an earlier quote from Marx:
"No capitalist ever voluntarily introduces a new method of production, no matter how much more productive it may be, and how much it increases the rate of surplus value, so long as it reduces the rate of profit.?

Marx is clearly saying that capitalists are reluctant and unwilling to introduce new technique into production. For example, Britain in the second half of the 19th century was an extremely aggressive capitalist power (on a par with the globalising states of today), accumulating masses of wealth and building the largest empire the world has seen. Yet it lost out its pre-eminent status to Germany and the USA because the latter two introduced superior production techniques (ie fixed capital) in order to compete. For example, the Bessamer process, which revolutionised the production of steel, was invented in 1850 but not introduced in Britain until Germany had done so. Likewise with electricity, which was only introduced into British factories after Germany had turned en masse to its use.

Was Britain?s conquest of the world offsetting the tendency for technology not to be introduced? No because both are derived from accumulation: the drive for markets goes hand in hand with the suppression of technological innovation on an individual and state-wide base.

It is another example of the dialectical interplay between capitalism as a total system that revolutionises the forces of production and the individual acts of capitalists or states, which fetter and undermine the revolutionary dynamic of their social system.
Neither does the tendency towards stagnation, as faction members keep distorting, mean that the economy has halted or is not growing. As capitalism is a system of expanded reproduction, it grows in most years excepting deep recessions.

The tendency towards stagnation used in the majority perspectives is a more profound concept both in reference to technology and the production of commodities failing to raise the material wealth of society. It is precisely over accumulation ? the production of too much capital that cannot be usefully used by society ? which is a hall mark of the tendency towards stagnation. We can wander the high street of any small town in the UK and spend hours in mobile phone shops yet we can?t get certain life saving drugs on the NHS. You can buy endless types of TV show but people in Africa can?t buy anti-HIV drugs because they are too expensive. And despite Bill and others stating that capitalism causes inequality (yes comrades we are aware of that), at a time of capitalist growth, why is material wealth (which according to the Faction comrades has now become a long boom of capitalist expansion) becoming ever more concentrated in fewer hands?

Why is it that along with the production of ever greater numbers of commodities is there increasing poverty, inequality and social dysfunction? Because, the limits of commodity production are coming up against the forces of production. The forces of production: labour and materials, under capitalist social relations takes the form of capital and labour power. Marx writes that the main contradiction in all class societies is that between the forces of production and the relations of production. Where the relations fetter and distort the forces of production the latter ?will burst the shell of the relations of production.?

The tendency towards stagnation in Marxism refers therefore both to materials and labour (ie human beings) and the inability of capitalism to raise their general material level often leaving capital to rot and labour to be unemployed or under used. What Marx refers to in Capital volume three as ?excess capital? and ?excess population.?

Conclusion

As I wanted to unravel some Marxist categories and separated them out from supposed bourgeois equivalents, I haven?t touched debt, credit nor the massive growth in unproductive labour around the world, which sparked a debate in

Marxist circles in the 1970s and 80s during the last big recessions.

However, what I have been struck by is the miss-use of categories and the uncritical and undialectical use of statistics by the Faction. Facts become things in themselves, while people become objects. The inquiry into the real meaning of things i.e. beyond appearances to look at essences is nowhere; the search for relationships is missing. Instead, we have avalanches of tables and graphs, often unrelated and with no attempt to put forward a balanced viewpoint. Instead science is replaced by taxonomy: the listing of things.

Marx wrote: ?the real crisis can only be deduced from the real movement of capitalist production, competition and credit.? (Theories of Surplus Value Vol. 2 p.512).

All upswings, downswings and crises are unique. Their development lies in a multitude of factors such as debt, credit, competition, political crises and so on. However, as Marx says, in the background is the tendency for the rate of profit to fall, shaping and reacting on the other factors and movements.

A misunderstanding of TRPF and misuse of other categories has only lead to confusion, wrong estimations and flip flops from catastrophism to its opposite: a long boom of capitalist development. Instead, of an understanding of relationships and dialectics we have had either/or and formal logic?s identity law: the mass must be the rate of profit, the bourgeois rate must be Marxist rate and so on.

Sadly, rather than educate us all the faction has only become confused, mis-educated and trimmers of bourgeois statistics. The coming congress should resoundingly reject this method.

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