The rate of profit and class struggle

“In every respect the most important law of modern political economy and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint. Marx, Grundrisse Penguin p748.

Marx’s Capital is a story of class struggle between workers and capitalists over the production of surplus-value (Volume 1), and between capitalist classes themselves regarding the distribution of surplus-value (Volume 3). It is a story of expanded reproduction (Volume 2), but an expanded reproduction (i.e. economic growth) riddled with tendencies toward centralization, inequality, instability, and crises.¹

It is the production, circulation and distribution of surplus value that is the defining character of the capitalist mode of production.

The general law of accumulation

That brings me to what Marx calls The General Law of Capitalist Accumulation in Chapter 25 of Volume One. Capitalist production has a fundamental dynamic, the dynamic of accumulation, in which the scale of capitalist production constantly expands.² As Marx puts it in Volume 1, Chapter 24:

“Accumulate, accumulate! That is Moses and the prophets! Industry furnishes the material which saving accumulates. Therefore, save, save, i.e., reconvert the greatest possible portion of surplus-value, or surplus-product into capital! Accumulation for accumulation’s sake, production for production’s sake: by this formula classical economy expressed the historical mission of the bourgeoisie.”³

It is the dynamic of accumulation that governs the development of capitalist society. But it is not simply a quantitative expansion. The trend is for the proportion of the economy devoted to investment to rise. This happens pretty much from the point of the publication of Marx’s Capital in the UK.
The increasing scale of accumulation also produces qualitative changes. As Marx says, “The accumulation of capital, though originally appearing as its quantitative extension only, is effected, as we have seen, under a progressive qualitative change in its composition, under a constant increase of its constant, at the expense of its variable, constituent.

The expansion of the productive forces under capitalist competition leads to two things: a permanent but (fluctuating in size) ‘reserve army of labour’ and a rising organic composition of capital. It is accumulation that determines the growth of employment, not vice versa. As Marx put it: “the rate of accumulation is the independent variable, not the dependent variable; the rate of wages is the dependent, not the independent variable”.

And accumulation is associated with a steadily increasing productivity of labour, and this in turn implies a steady increase in the technical composition of capital: the introduction of more massive machinery, to assist the worker to increase productivity.
Over time (and after crises in production), this also involves both the increasing concentration of the means of production in the hands of ever larger capitalists, and the appearance of new capitalists in competition with one another. Apart from this concentration of capital that is a result of accumulation, there is also a centralisation of capital as more profitable capitals swallow up less profitable ones.

Marx argues that the rising organic composition of capital means that a larger capital is required to maintain a given level of employment. Thus accumulation must become progressively more rapid to maintain employment. At the same time, though, the rapid accumulation means a more rapid increase in the organic composition. Thus accumulation itself produces a “relatively redundant working population” (i.e. creates unemployment): this is the relative surplus population.

Because of the unevenness of capitalist development, this relative surplus population is constantly being created in some branches of production, and is often reabsorbed in others, and this is on an ever-increasing scale. This surplus population is a “condition for the existence of the capitalist mode of production” as the industrial reserve army that provides a mass of available labour power independent of the natural growth of population. The industrial reserve army also forces the employed workers to submit to intensified labour, so further reducing employment.

Finally, it is the expansion and contraction of the industrial reserve army that “exclusively” regulates the general movement of wages. If capitalist accumulation is to persist, it requires above all else an ample supply of wage-labour that is continually replenished and available for work at wage levels that ensure the further production of surplus value for the class of capitalists.
It is for this reason that Marx considered the reserve army of labour to be an essential ingredient of capitalism, a relatively redundant population of labourers that would expand and contract according to the requirements of the system. As soon as the accumulation process diminishes this surplus population to the point of endangering the further production of adequate amounts of surplus value (by raising wages and other advantages of labour), a reaction sets in. The introduction of labour-saving machinery is quickened, the reserve army is replenished and the rise in wages is halted.

Thus accumulation takes place as a cyclical oscillation: “the general movement of wages is exclusively regulated by the expansion and contraction of the industrial reserve army and this corresponds to the periodic alternations of the industrial cycle”7

In these ways, Marx maintained, the foundations of the capitalist system are protected from the dangers of lessened exploitation. "The law of capitalist accumulation . . . excludes every diminution in the degree of exploitation of labor, and every rise in the price of labor, which could seriously imperil the continual reproduction, on an ever-enlarging scale, of the capitalistic relation".

The bosses’ appropriation of surplus value makes possible the expansion of capital, and it is made necessary by the class struggle of the producers against their exploiters. For Marx, the amount of surplus value extracted is the main issue in the class struggle between capitalists and workers. Capitalism expands by reinvesting the surplus value it appropriates: this is the basis of the accumulation of capital.

As Marx put it, the “aim [of the capitalist mode of production] 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. Capital strives to expand the value form even at the expense of developing use values.” The conflict of these tendencies, the most visible expression of the contradictions of value, is the key to the analysis of capitalism’s crises.

“The most important factor in this inquiry is the composition of capital and the changes it undergoes in the course of the process of accumulation”. In the capitalist mode of production, and in that alone, is the development of the productive power not only expressed as a growth of means of production in order to have more results with less labour, (as it is expressed in all economic systems) but as a rise in the organic composition of capital, more constant capital, less variable capital and a consequent falling rate of profit.

The law of the tendency of the rate of profit to fall

This Marx called “in every respect the most important law of modern 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.”8

In short, for Marx, technological innovations tend to decrease the average rate of profit because they tend to replace labourers with machines. Since only labour creates value, although the output per unit of capital increases the value incorporated in it decreases. As
Marx writes, “The value of a commodity is determined by the total labour-time of past and living labour incorporated in it. The increase in labour productivity consists precisely in that the share of living labour is reduced while that of past labour is increased, but in such a way that the total quantity of labour incorporated in that commodity declines” (Marx, *Capital*, Vol.1, international Publishers, New York, 1967, pp.260-261). It follows that “The rate of profit does not fall because labour becomes less productive, but because it becomes more productive” (op. cit. 1967, p.240).

“A fall in the rate of profit and a hastening of accumulation are insofar only different expressions of the same process as both of them indicate the development of the productive power. Accumulation in its turn hastens the fall of the rate of profit, inasmuch as it implies the concentration of labour on a large scale and thereby a higher composition of capital”. Thus accumulation is a process that inevitably leads to overproduction of capital, to ever increasing unemployment, to a surplus of capital unable to function profitably and an unusable surplus population.

The simple formula for the rate of profit is $s/c+v$; where $s$ is the surplus value appropriated by the owners of the means of production from the total value created by labour; where $c$ is the value of the means of production accumulated by the owners; and where $v$ is the cost of employing the labour force to produce value. Marx’s law (as such) of the tendency of the rate of profit to fall follows: if $c/v$ rises, and the rate of exploitation, $s/v$, is unchanged, the rate of profit $s/c+v$ must fall.

$$\text{ROP} = \frac{s}{c+v}$$

Here’s the trick! ROP falls if $C/V$ rises faster than $S/V$.

$\frac{s}{v}$
$c/v+1$

$C/V$ rises faster (tendency) but there are times when $S/V$ rises faster (countertendency).

There are countertendencies to the tendency for the rate of profit to fall. That is why the law is a tendency. Marx lists several factors that could lead to a period of rising profitability. The two most important ones are when the organic composition of capital ($c/v$) rises but at a slower pace than the rise in the rate of exploitation ($s/v$) and when $c/v$ falls because the value of the new means of production falls as a result of a greater productivity of labour.

Marx argues that these counter-tendencies cannot predominate indefinitely or even for a long time, i.e. not more than several years or a decade or so – a small period in the history of
capitalism. Eventually, in the long run, the organic composition of capital will rise more than the rate of exploitation rises, and the rate of profit will resume its fall.\(^\text{11}\)

Crisis and breakdowns come about because a falling rate of profit eventually reaches a point where there is a fall in the new value created by labour and/or a fall in the mass of profit. The rate of profit is an average across all sectors of production. Some capitalists may actually experience a fall in profits and even start making outright losses before the more efficient and stronger. They will go bust or reduce investment spending first, causing a cascade effect across other sectors. Once investment starts falling, so will employment and incomes. A slump ensues. This is the mechanism of crises that begins with Marx’s law.

A static system of capitalism is an impossibility; capital must either go forward, ie-accumulate, or collapse.\(^\text{12}\) But accumulation presupposes reestablishment of profitable operation. But the resumption of profitable operation depends on the lowering of the organic composition of capital, or the increase, by other means, of the surplus value. The devaluation of capital lowers the organic composition. In practice, this means the ruin of many individual capitalists; from the point of view of total capital, from the point of view of the system, it means rejuvenation. The devaluation of capital is a continuous process, an expression of increased productivity of labour, but in the crisis it progresses violently.

**The law of profitability and credit**

Thus “the true barrier to capitalist production is capital itself”.\(^\text{13}\) Overproduction of commodities is the result of overproduction of capital and this “is nothing more than overaccumulation of capital”. Indeed, the “so-called plethora of capital is always basically reducible to a plethora of that capital for which the fall in the profit rate is not outweighed by its mass or to the plethora in which these capitals are available to the leaders of the great branches of production in the form of credit”.\(^\text{14}\)
Credit takes the accumulation of capital to its limit: “if the credit system appears as the principal lever of overproduction and excessive speculation in commerce, this is simply because the reproduction process, which is elastic by nature, is now forced to its most extreme limit.” Thus “a crisis must evidently break out if credit is suddenly withdrawn and only cash payment is accepted….at first glance the entire crisis presents itself as simply a credit and monetary crisis”.

While the underlying cause of crises is to be found in the general law of accumulation and the law of tendency of the rate of profit to fall (in what happens to capital in general in the production of surplus value), the actuality of crises can “only be deduced from the real movement of capitalist production, competition and crises.”

The financial sector, particularly the size and movement of credit, plays an instrumental role in capitalist crisis. Marx argues that the growth of credit and speculative investment in stocks, bonds and other forms of money assets (or ‘fictitious capital’) functions as a compensating mechanism for the downward pressure on profitability in the accumulation of real capital. A fall in the rate of profit inevitably promotes speculation; that is, trying to make money by betting on the stock exchange or buying other financial instruments. But, as capitalists en masse buy these stocks and assets, prices rise thus leading to the emergence of a bubble. Once bubbles burst, investors come to terms with the reality that the assets are not worth what they are paying for them.

As Paul Mattick Snr pointed out in his seminal work, Economic crisis and crisis theory:

“Although it first appears in the process of circulation, the real crisis cannot be understood as a problem of circulation or of realisation, but only as a disruption of the process of reproduction as a whole, which is constituted by production and circulation together. And, as the process of reproduction depends on the accumulation of capital, and therefore on the mass of surplus value that makes accumulation possible, it is within the sphere of production that the decisive factors (though not the only factors) of the passage from the possibility of crisis to an actual crisis are to be found ... The crisis characteristic of capital thus originates neither in production nor in circulation taken separately, but in the difficulties that arise from the tendency of the profit rate to fall inherent in accumulation and governed by the law of value.”

And as G Carchedi put it after the Great Recession,

“The basic point is that financial crises are caused by the shrinking productive basis of the economy. A point is thus reached at which there has to be a sudden and massive deflation in the financial and speculative sectors. Even though it looks as if the crisis has been generated in these sectors, the ultimate cause resides in the productive (of surplus value) sphere, i.e. in the shrinking productive basis of the economy and in the attendant falling profit rate in this sphere, even though this downwards movement has manifested itself at first in the financial and speculative sectors”.

The evidence for Marx’s general law of accumulation and the law of profitability
Was Marx right in his analysis of the dynamic of accumulation under capitalism? How did things pan out after Marx published Capital and after his death in 1883? I propose now to go on a little journey using the map of profitability and accumulation of capital in the UK after 1867.

In his excellent paper, And yet it moves down, Esteban Maito shows for Britain the connection between accumulation of capital, a rising organic composition, the reserve army of labour and profitability from the point when Marx wrote Volume One of Capital to now.\(^{20}\)

Maito concludes: “Over this long period, 1855 to 2009, two opposing trends, mediated by the interwar period, have developed, expressing the Marxian determinations explained above. The rate of accumulation reached higher levels in the post-war period (average: 3.8% per year in 1946-2009) compared to the pre-World War I period (average: 2.0% per year in 1856-1913). During these same periods, the growth in the number of employees showed the reverse, with a higher relative growth in the first part (1.3% per year) compared to post-World War II decades (0.3%). During the interwar period, in which the rate of profit recovered significantly, the accumulation rate expanded at an average annual rate of 0.5% - less than the average increase of 0.9% of the workforce.”

This seems to confirm Marx’s analysis. Accumulation of capital rises faster than employment growth leading to a secular fall in the UK rate of profit. However, in certain periods, the inter-war period, accumulation of capital grew more slowly than employment and profitability rose.

Maito has also applied this analysis to a larger sample of countries representing 85-90% of global GDP.\(^{21}\)
In Marxian terms, there is a unity in the law of value, the laws of accumulation and the law of the tendency of the rate of profit to fall. A fall in the rate of profit and accelerated accumulation are different expressions of the same process only in so far as both reflect the development of productiveness. Accumulation, in turn, hastens the fall of the rate of profit, inasmuch as it implies concentration of labour on a large scale, and thus a higher composition of capital. This unity is confirmed for a large batch of capitalist economies by Maito:

This shows a secular rise in the technical composition of capital, the value composition and a fall in the rate of profit (excluding any counteracting factors) for the global economy since 1950.

**The rate of profit and the UK**
In my own work, from the analysis of the movement in the rate of profit from various sources, it is clear that there was a secular decline in the UK rate of profit over the last 150 years, supporting the predictions of Marx’s law and paralleling the decline of British imperialism.24

The periods of steepest decline in the rate of profit matched the most difficult times for British capitalism: the long depression of the 1880s; the collapse of British industry after 1918; the long profitability crisis after 1946. But there were also periods when profitability rose: the recovery after the 1880s in the late Victorian era; the substantial recovery in the 1920s and 1930s after the defeat of the British labour movement and demolition of old industries during the Great Depression; and the neo-liberal revival based on further dismantling of the welfare state, the privatisation of state assets, the defeat of labour struggles and, most important, a switch to reliance on the financial sectors as Britain increasingly adopted rentier capitalism.

In the 1850s, British imperialism was at its height (after the 1851 Great Exhibition). It was the hegemonic capitalist power with dominance in industry, trade, finance, imperial incomes/colonies and armed forces. But by the end of the long boom up to the early 1870s, it began to give ground (relatively) to the rising economic powers of the US (now united after a civil war, and Germany (now united) and to some extent France after the defeat of the Paris Commune in 1870.

During the Long Depression of the 1880s (and 1890s), Britain’s hegemonic position was further undermined with the rise of Bismarckian Germany and America’s growing industrial population. The period of economic recovery from the 1890s was weaker in the UK than in Germany or the US. Profitability did not rise in the 1900s and, by the time of the first world war, both Germany and the US could rival the UK’s position.
The weakness of British industry and imperialism was exposed immediately after WW1. The UK rate of profit plummeted by 30-60% between 1914 and 1921. Britain entered a depression that was sharp and catastrophic to its ageing industry. The government tried to restore and preserve its hegemonic position globally in trade and finance by sticking to the gold standard. But this just weakened the position of British industry in global markets further, especially once France and Germany recovered from the war and Germany was relieved of the draconian reparations imposed under the Versailles treaty.

British capital then set about closing down old industries and reducing the share of value going to labour in a big way to restore profitability. This policy was cemented by the defeat of the transport unions in 1921 and the defeat of the general strike of 1926. The government came off the gold standard in 1925. This laid the basis for a sustained rise in UK profitability that even the Great Depression of the 1930s did not stop (in contrast to the US). Britain had its depression first.

Under a), the rate of profit rose from 15% to 21% from 1921 to 1938 and in b) it rose from 12% to 24%. Profitability did fall during the worst years of the Great Depression 1930-32, but remained above the level of the early 1920s and recovered significantly from the mid-1930s. UK profitability was restored by the counteracting factor of an increased rate of exploitation of labour exceeding any rise in the organic composition of capital. In the 1920s, the rate of surplus value (exploitation) rose nearly 26% while the organic composition of capital fell (as old means of production were disposed of). In the 1930s, the impact of the Great Depression was to drive down the organic composition of capital even further, while the rate of surplus value stabilised.\(^{25}\)

The profitability of capital in the UK (and the US) reached peaks during the second world war. This was partly the product of new profits from arms production, so that investment in productive ‘civilian’ assets fell, reducing the organic composition of capital. But it was also because the wages of labour were diverted into ‘savings’ (war bonds) that were utilised by the governments to pay for arms and the war machine. The rate of surplus value rose accordingly.

But after the war, British capitalism was in an exceedingly weak position, obviously compared to the US, but also compared to France and Germany (and even Japan), where American credit and capital was ploughed in to exploit millions of cheap labour and able to use the latest technology to boost productivity and lower unit costs to compete (with weaker currencies) on world markets. As at the end of the first world war, the UK had ageing capital stock and while it had some new technologies to exploit, it had a small workforce unwilling to be exploited at low rates after being ‘winners’ in the war.

So it was not long before UK profitability began to fall sharply. All the major capitalist economies began to experience a ‘classic profitability’ crisis from about the mid-1960s. But the profitability crisis came earlier for the UK. As a result, it was also the first major capitalist economy to try and reverse the decline with policies of ‘neo-liberalism’ designed to raise profitability by increasing the rate of exploitation and privatisation of state assets that
had been expanded in the immediate post-war period. Neoliberalism in the UK began as early as the end of the first simultaneous global recession of 1974-5, when the then Labour government called on IMF emergency funding and dispensed with so-called Keynesian government spending policies.

In summary, whenever the organic composition of capital rose faster than the rate of surplus value, the rate of profit fell, as in 1946-75. Whenever the reverse was true, the rate of profit rose, as in 1975-97. Overall, there was a secular fall from 1946 to 2008, when the organic composition of capital nearly doubled while the rate of surplus value rose by only 7%. All this tends to confirm that Marx’s law can explain changes in the UK rate of profit.

Brazil and the rate of profit

Can we find the same story for Brazil? Has the rate of profit in Brazil moved in line with changes in the organic composition of capital and rate of surplus value?

Data on the rate of profit in Brazil are extremely difficult to compile. Indeed, we can only go back to the early 1950s for anything useful – as far as I have found. There are three measures of the rate of profit for Brazil from then. I shall use that of Esteban Maito.

Between 1963 and 2008, the rate of profit declined secularly by about 19 percent. But this secular fall was really the product of the very large decline in the rate of profit from 1963 to the early 1980s and 1990s. Over these 20 years or so, the rate of profit fell over 30 percent while the organic composition rose 23 percent and the rate of exploitation fell 17 percent—a classic example of Marx's law of profitability at work.
From the mid-1990s, Brazil’s ruling elite adopted neoliberal policies designed to restore the rate of profit. Between 1993 and 2004, the rate of profit rose 35 percent. The organic composition of capital rose 20 percent as foreign investment flooded into industry (autos, chemicals, and petroleum), but the rate of exploitation rose even more, up 55 percent, as more Brazilians entered the industrial and agro processing labor force with intensive capitalist production methods, while wages were held down.

Brazil became a major agricultural producer and exporter to the world market. Leading exports include soybeans and soy products, beef, poultry, sugar, ethanol, coffee, orange juice, and tobacco. Brazil’s agrifood sector now accounts for about 28 percent of the country’s GDP. It is now the world’s third largest agricultural exporter (in value terms), after the United States and the European Union. Rapid export growth was accompanied by changes in the composition of agricultural exports away from tropical products to processed products—up the value-added scale. Processed products now account for about three-fifths of agricultural exports.

Like some other emerging economies, Brazil benefited from some favorable external factors that supported the neoliberal policies at home. Food commodities prices rose. In a way, it was like the discovery of North Sea oil that helped Britain’s Thatcher government in the 1980s. The income windfall to Latin America from persistently high commodities prices over the past decade has been unprecedented. It averaged 15 percent of domestic income on an annual basis and close to 90 percent on a cumulative basis. A combination of rising commodities prices driven by Chinese demand, productivity gains as the rate of exploitation rose, and the expansion of employment from the rural areas boosted profitability and growth for a decade. After the 2002 crisis, GDP growth averaged above 4 percent a year until 2010. This led to significant improvements in living standards and life in general.

But the inequalities of capitalist development remained embedded in the system. Inequality of income and wealth in Brazil remains at extreme levels, exceeded only by post-apartheid South Africa—and, when measured by a gini coefficient per capita, Mexico.

Despite the boom of the last decade, average household net-adjusted disposable income in Brazil is still way lower than the OECD average of $23,047 a year—and that’s the average. Over 16 million people are still living in what is deemed extreme poverty, with monthly incomes of below 70 reais (about US$33). Some 80 percent of men are in paid work, compared with 56 percent of women, and 12 percent of employees work very long hours, higher than the OECD average of 9 percent, with 15 percent of men working very long hours compared with 9 percent of women. Around 7.9 percent of people reported falling victim to assault over the previous twelve months, nearly twice the OECD average of 4.0 percent. Brazil’s homicide rate is 21.0 per 100,000 people, almost ten times the OECD average of 2.2, and one of the highest in the world. Violence is concentrated among young people and over the fifteen years, violence—including armed violence—has become a major social problem in the country. Brazil’s regional disparities remain very high: average GDP per capita varies from just 46 percent of the national average in the northeast region to 34 percent above the average in the southeast.
Under the government of former president Luiz Inácio Lula da Silva and during the commodities boom, there were some important gains for the working class: a social protection system, increasing credit at low interest rates for workers, and universal health care and education. The Bolsa Família, or family allowance program, is the most visible face of these policies. Between 2004 and 2011, the number of families benefiting from income transfers more than doubled, from 6.5 million to 13.3 million, representing nearly one-quarter of the population. In the more isolated regions, payments under this program have become the principal engine of the local economy. Another pillar of government policy, adopted through negotiations with the unions, was to raise the minimum wage and associated pension. It went up by 211 percent in nominal terms between 2002 and 2012, for a real inflation-discounted increase of 66 percent. The unemployment rate plunged from 12.3 percent to 6.7 percent and the labor force expanded at a 1.6 percent yearly rate.

However, during this boom, Marx’s law of profitability was still at work. From 2004 the rate of profit began to fall (down 8 percent to 2008 and more since), as wages shot up and the rate of exploitation dropped 25 percent. Only the continued boom in commodities prices kept growth going.

When the global slump came in 2008–9, the emerging capitalist economies could not avoid the consequences. In the case of Brazil, it seemed that rising commodities prices plus a deliberate policy by the government to increase state-financed investment had enabled the nation to avoid the worst of the slump compared with others.

But prices for Brazil’s key agricultural exports began to falter from 2011 onward. Global commodity prices have fallen back sharply and profitability began to fall further. The export profitability is some 20 percent below its best years before 2004.

Despite the lack of good data, it seems we can discern that Marx’s law of profitability has operated in Brazil and helps to explain the causes of the recurrent crises there.

**Mapping out the class struggle: the UK**

Now let us be more ambitious. Can we apply an analysis of the intensity of the class struggle using the evidence of accumulation and the profitability of capital? Mapping out the class struggle in this way produces some interesting observations.

When Marx was writing Capital, the UK economy was experiencing a boom in profitability and growth and British capital was ruling the world and at its zenith. However, from the late 1860s, profitability turned down and the UK, along with other major economies entered a long depression through the mid-1880s (longer in the US). Depression weakened the old unions and class struggle faded. After the crushing of the Paris Commune in 1871, the first international was dispatched to retirement in New York by Marx.

If we look at the history of British capital after Marx’s death in 1883, we can link the profitability of capital to the intensity of class struggle as defined by the level of strikes. In the period from the 1890s to the first world war, we find that strikes were initially high as
new mass unskilled unions formed as British capital recovered some profitability after the end of the depression of 1880s. But strikes dropped off after the late 1890s as profitability reached a peak and wage demands were met. However, from the 1900s profitability of capital began to diminish and in the years leading up to the war, strong unions and a rising labour movement engaged in more intensified struggle.

After the end of the war, that struggle resumed. But with the defeat of the transport unions in 1921 and the general strike in 1926, UK profitability jumped up and intense class struggle dropped away through the end of the second world war.
The post-1945 period started with high profitability and growth (after 1946), leading to a recovery in trade unions (in new industries). Strikes rose a little but class struggle was generally ameliorated by concessions and wage increases (closed shops etc). However, from the mid-1960s, UK capital entered the long profitability crisis (as in other economies). Capital needed to reverse this by crushing labour power. Strong unions took on capital in the most intense class battle since the early 1920s. Two big slumps and other neo-liberal measures defeated union power and the class struggle subsided. The neoliberal period ended in the 2000s and capitalism entered a long depression after the Great Recession. There has been no recovery in the labour movement or class struggle.
This map of the class struggle in Britain implies that only a sustained recovery in profitability in capital that also allows labour to recover its organised strength in new industries and sectors can create the conditions for intensified struggle when profitability eventually drops back again – as it will. That suggests a generation ahead before we can see intense class struggle as experienced in the 1910-26 period or in the 1970s.

Mapping out the class struggle: Brazil

Can we apply the same map to Brazil? Again the data are much more difficult to obtain. Well, Noronha et al. (1998) conducted a study about the evolution of strikes in Brazil, identifying some key characteristics observed from the end of decade of 70 and until the beginning of decade of 1990. According to the authors, the phenomenon of Brazilian strikes began around 1978 in ABC, considered the main industrial area of the country, identifying three major cycles of strikes: first cycle had an upward trajectory, ranging from 1978 to 1984, where the organization of unions began in Sao Paulo and spread to other regions in the country; the second cycle occurred between 1985 and 1989 and presents a flat evolution path; finally, the third cycle was characterized by the decline of stoppages in 1990, reached the end two years later.

So more strikes matched a period of falling profitability from the mid-1970s to the mid-1980s. Strikes flattened out with the flattening out of profitability up to the end of the 1980s. The rise in the rate of profit in the 1990s and the adoption of neo-liberal policies saw a decline in class struggle.

In Brazil unionization rates experienced a small decline during the 1990s, yet between 2000 and 2006 this trend was reversed. The number of strikes nearly tripled between 2002 (298
strikes) and 2012 (873) while the number of working-hours lost more than tripled in the same period. According to DIEESE’s estimates, in 2002 working-hours lost due to strikes amounted to around 116.6 million while in 2012 around 381.7 million.

The profitability of capital in Brazil peaked in the late 1990s and early 2000s on the measures above. But Brazil’s labor movement strengthened in the early 2000s, so when profitability began to fall again and employers applied pressure to control the cost of labour, there was a class reaction through increased strikes. The Great Recession did not affect Brazil’s economy severely until the commodity price boom collapsed in 2011. The strike wave faded in the initial period of the global crash but then reached a peak in 2012.

**Crises and class struggle**

Marx’s laws about capital accumulation have not gone away. Crises will reoccur at regular intervals with the accumulation of capital and the longer capital accumulates the more difficult it will be for capital to deliver the needs and desires of humanity as capital concentrates and centralises, inequality of wealth and income remains embedded and even increases. And there is no avoidance of this downward spiral.

It is the prime conclusion of Marx’s Capital and his laws of accumulation and profitability that opposition to capitalism is not an irrational response to capitalism’s temporary difficulties, but a necessity dictated by the progressive inability of the system to sustain humanity.
The analysis of capitalist accumulation ends, as Marx said in a letter to Engels: “In the class struggle as a finale in which is found the solution of the whole smear! From a struggle over wages, hours and working conditions or relief, it becomes, even as it fights for those things, a struggle for the overthrow of the capitalist system of production – a struggle for proletarian revolution.”

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1 “In Volume 1 we investigated the phenomena exhibited by the process of capitalist production, taken by itself, i.e. the immediate production process, in which connection all secondary influences external to this process were left out of account. But this immediate production process does not exhaust the life cycle of capital. In the world as it actually is, it is supplemented by the process of circulation, and this formed our object of investigation in the second volume. Here we showed, particularly in Part Three, where we considered the circulation process as it mediates the process of social reproduction, that the capitalist production process, taken as a whole, is a unity of the production and circulation process. It cannot be the purpose of the present, third volume simply to make general reflections on this unity. Our concern is rather to discover and present the concrete forms which grow out of the process of capital’s movement considered as a whole. In their actual movement, capitals confront each other in certain concrete forms, and in relation to these, both the shape capital assumes in the direct production process and its shape in the process of circulation appear merely as particular moments. The configurations of capital [Gestaltungen], as developed in this volume, thus approach step by step the form in which they appear at the surface of society, in the action of different capitals on one another, i.e., in competition, and in the everyday consciousness of the agents of production themselves.” Marx 1981, p. 117.

2 Volume One, chapter 25, §2
3 https://www.marxists.org/archive/marx/works/1867-c1/ch24.htm#23a
4 F Moseley: The main point of Chapter 25 (‘The General Law of Capitalist Accumulation’ is the effects of the accumulation of the total social capital on the working class as a whole (Marx says this in the first sentence of the chapter). The adjective ‘general’ in this title (similar to the title of Chapter 4) indicates that this law applies to all capitals, i.e., to capital in general, not to individual capitals or individual industries. The main factor in this analysis is the composition of the total social capital (the ratio of constant capital to variable capital for the economy as a whole), and the tendency of this ratio to increase over time as a result of technological change. The increase in the composition of the total social capital reduces the demand for the labour power of workers, and hence increases unemployment, or the ‘industrial reserve army’, of the working class as a whole. The ‘general law’ of capitalist accumulation is that the capitalist mode of production tends to produce both increasing wealth in the hands of capitalists and increasing poverty suffered by workers.

5 “The larger the Lazarus stratum of the working class and the larger the industrial reserve army, the larger too is the army of those who are officially accounted paupers… This is the absolute general law of capitalist accumulation”. (Marx’s italics). Vol One, Chapter 25
6 Capital Vol one, P770.
7 Capital Vol one p790
8 Grundrisse p748
9 Note the misunderstanding of Marx’s law by Thomas Piketty in his book, Capital in the 21st century: “Marx totally neglected the possibility of durable technological progress and steadily increasing productivity.. Marx’s theory implicitly relies on a strict assumption of zero productivity growth over the long run” !!
10 “The fact that the means of production and the productivity of labor increases more rapidly than the productive population, expresses itself, therefore, capitalistically in the inverse form that the laboring population always increase more rapidly than the conditions under which capital can employ this increase for its own self-expansion”. Chapter 25
11 David Harvey is entirely dismissive of the rising organic composition of capital as a cause of falling profitability, writing that “it is hard to make Marx’s theory of the falling rate of profit work when innovation is as much capital or means of production saving….as it is labour saving” (Harvey, 2010: 94).
“If it is said that overproduction is only relative, this is quite correct; but the entire capitalist mode of production is only a relative one, whose barriers are not absolute … The contradiction of the capitalist mode of production, however, lies precisely in its tendency towards an absolute development of the productive forces, which continually come into conflict with the specific conditions of production in which capital moves, and alone can move.”  Vol 3 p. 366

Capital Volume 3 p357

Capital Volume 3 p359

Capital Volume 3 p572

Capital Volume 3 p 621

Marx Grundrisse 1968 512


G Carchedi, The Return from the Grave, 2009

E Maito, And yet it moves down, https://mpra.ub.uni-muenchen.de/58007/2/MPRA_paper_58007.pdf


“Since the development of the productiveness and the correspondingly higher composition of capital sets in motion an ever-increasing quantity of means of production through a constantly decreasing quantity of labour, every aliquot part of the total product i.e. every single commodity, or each particular lot of commodities in the total mass of products – absorbs less living labour, and also contains less materialised labour, both in the depreciation of the fixed capital applied and in the raw and auxiliary materials consumed. Hence every single commodity contains a smaller sum of labour materialised in means of production and of labour newly added during production. This causes the price of the individual commodity to fall. But the mass of profits contained in the individual commodities may nevertheless increase if the rate of the absolute or relative surplus value grows. The commodity contains less newly added labour, but its unpaid portion grows in relation to its paid portion. However, this is the case only within certain limits. With the absolute amount of living labour newly incorporated in individual commodities decreasing enormously as production develops, the absolute mass of unpaid labour contained in them will likewise decrease, however much it may have grown as compared to the paid portion.” www.marxists.org/archive/marx/works/1894-c3/ch13.htm. Capital Volume 3 Chapter 13.

“The UK rate of profit”, to be published in The World in Crisis, upcoming from Zero Books

In the 1930s, however: “In terms of the balance of class forces, while labour was severely weakened by mass unemployment, capital could not take advantage because of the collapse in world markets. The comfortable corporatism engendered by the shelter of protectionist tariffs was not a period of intense class struggle. Indeed, for capital, the adverse effects of a return to gold at an overvalued exchange rate and the collapse of the international economy into a protectionist, semi-autarky just about counterbalanced the positive effects of the General Strike victory and the rapid rise of unemployment. Apart then from the first half of the 1920s, the rise in the rate of profit did not have as a contributory factor a rise in the rate of surplus-value. Rather, the rate of profit was driven up by the maintenance of productivity growth while capital intensity fell.” Brown and Mohun, http://gesd.free.fr/mohun11.pdf


28 Aricieri Devidé Júnior, José Raimundo Carvalho, Strike Duration after Collective Bargaining Legislation Changes: A Reappraisal of the 1988 Brazilian New Federal Constitution with Better Micro Data

29 Walter Arno Pichler, Giovana Menegottol, Union membership and industrial action in Brazilian public sector in the 2000s

30 Marx to Engels, quoted from Mattick op cit.