

Reflections
on
Marx's critique
of Political
Economy

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Reflections on Marx's critique of Political Economy

Marx's concepts and categories have become an intrinsic part of common usage. They are also used by statist tendencies to legitimise their claims to power and to suppress the questioning of the foundations of existing hierarchical society. This text seeks to dissolve the aura that surrounds Marx's concepts and categories. In doing so it seeks to free them from the deadweight of tradition that has rendered them incapable of performing a critical function today.

The readers of this text need not be acquainted with Marx's critique of political economy. The section 'Concept Notes' has been included to facilitate an understanding of Marx's concepts. We hope that this text will help in challenging the hierarchy of the Marx-read, polemically-literate, quotation-flinging gurus and their disciples.

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reflections on marx's Critique

For fifteen years now, we have been a part of wage-workers' struggles in a major industrial area (Faridabad) in India, and we have simultaneously been attempting to exchange experiences and ideas with wage-workers' struggles world-wide. These encounters have posed many a practical and theoretical problem. These reflections reflect our attempts to refine, modify and discard concepts that obstruct and counter the emergence and spread of wage-workers' resistances and struggles. We hope that criticisms, debates and practices will lead to adequate conceptualisations that aid anti-market, anti-hierarchical, multi-nodal practices of wage-workers throughout the world.

Marx's critique of political economy provided a foundation for analysing the intricacies of the reproduction process of commodity producing society by stripping the veil of mesmerising power off commodities and the market. But some of the premises of Marx's critique of political economy are problematic, insufficient and could, indeed should, be said to be erroneous. These premises hinder an understanding of the past and the present, and in imagining & making a future. In this text the attempt is to enumerate and describe some of these erroneous premises and to examine their interconnections and implications.

Here we look at :

- I. **Basic characterisation of capital**
- II. **Extent of domination of the capitalist mode of production**
- III. **Significance of the tendency of the rate of profit to fall**
- IV. **The problem of extended reproduction**
- V. **Monopoly Capitalism and Imperialism**

Theories of monopoly capitalism and imperialism, though not constituents of Marx's work per se (they post-date Marx), are still being dealt here, primarily because they are deeply entrenched within post-Marx marxian and other tendencies.



The fundamental characterisation of capital

Marx's assumption¹

Capital presented as :
M-C-M'
Money → Commodity
→ More Money

The basic characteristic of capital was presented by Marx to be a specific mode of circulation of money i.e. M-C-M' (money – commodity – more money). This is a continuous process of transformation of money into commodities and the change of commodities back again into money, or buying in order to sell. The circulation of money as capital begins with a purchase and ends with a sale, in contrast to simple circulation of commodities which begins with a sale and ends with a purchase (C-M-C; commodity – money – different commodity). In the circulation of money as capital the buyer lays out money in order that, as a seller, he may recover more money. Money therefore is not spent, it is merely advanced. More money is withdrawn from circulation at the finish than was thrown into it at the start. The money recovered is the original sum advanced plus an increment. This increment or excess over the original value was termed as surplus value (see Capital vol. I, Part II, Chapter IV – 'The General Formula of Capital').

The circulation of commodities takes place on the basis of the exchange of equivalents. The creation of surplus value, and therefore the conversion of money into capital, can consequently be explained neither on the assumption that commodities are sold above their value, nor that they are bought below their value (see concept notes **b**, 'Value and Equivalents', pg.35). Circulation or exchange of commodities begets no value. Surplus value cannot arise from within circulation, its source lies in production. The concepts of buying and selling of labour power and its exploitation as the only explanation of surplus value, logically follow the premise of exchange of equivalents.

¹ The publication details of Capital used for this text : Karl Marx, Capital, edited by F.Engels, Progress Publishers, Moscow. Vol I – first published 1954, reprint 1984, Vol II – first published 1956, reprint 1984, Vol III – first published 1959, reprint 1984 .

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If capital is M-C-M' then capital has various forms: 'Industrial capital', 'usurers' capital', 'merchants' capital' etc. and all other concentrations of wealth based on M-C-M'.

Wage labour was, thus, essential to this characterisation of capital.

If the basic characteristic of capital is stated as M-C-M', then capital has various types or forms, namely industrial capital, interest bearing capital, merchants' capital, usurers' capital etc. and all other visualisable concentrations of wealth which exist on the basis of M-C-M'. However, it was established by Marx that all other forms are derivatives of industrial capital. The definition of capital as M-C-M' was in this way reconciled with wage-labour being a necessary prerequisite of capital. Capital was equated with M-C-M' only because the extraction of surplus value through purchase and sale of labour power could also be characterised as M-C-M'.

Our critique

History, however, poses a problem in the form of usurers' and merchants' capital.

Merchants' profit from (16th to 18th Century) is from circulation and is also characterised by M-C-M'

Merchants' capital, in so far as capital is defined as M-C-M', is older than commodity production based on wage-labour. Since merchants' capital is penned in the sphere of circulation, and since its function consists exclusively of the exchange of commodities, it requires no other conditions for its existence outside those necessary for the simple circulation of commodities and money (C-M-C). In fact, the simple circulation of commodities and money were the conditions of merchants' existence. The separation between producers & consumers i.e. the extremes between which merchants act as mediators exists for merchants as given. The only necessary thing is that these extremes should be on hand as buyers and sellers of commodities, regardless of whether production is wholly a production of commodities or whether only the surplus of the self-sufficient producers immediate needs is thrown on the market. Merchants' capital promotes only the movements of commodities between these extremes which are pre-conditions of its own existence.

Mercantile wealth represents the separation of the circulation process from the producers. Money and commodity circulation can mediate between spheres of production of widely different organisations: wage-labour based commodity production; personal & family labour based commodity production and organisations whose internal structures are still chiefly adjusted

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to the output of use values. But whatever the social organisation of the spheres of production between which the merchants promote commodity exchange, their wealth exists in the form of money, and their money, it is said, serves as capital. Its form is always M-C-M'. Since the movement of merchants' capital is M-C-M', the merchants' profit is made, first, in acts which occur only within circulation process, hence in the two acts of buying and selling; and secondly, it is realised in the last act, the sale.

Usurers' profit also springs from circulation, and with a still more irrational form M-M', that is circulation of money, without any intervening commodity stage. Circulation of money is its only premise.

'Merchants' & Usurers' Capital' prior to the emergence of wage-labour based production for the market : Profit emerges without exploitation of wage-labour. Therefore, these are capital and yet not !

Merchants' and usurers' capital, before the emergence of commodity production based on wage-labour, are the two prominent instances, where capital subverts its own rules, profit emerges without the production of surplus value, without the exploitation of wage-labour, without the existence of wage slavery, totally from within the circulation process. Somewhere, something is wrong in the characterisation of capital. For capital to be capital, the mode of circulation of money, cannot be a sufficient pre-requisite. What is essential is the production of surplus value which can occur only on the basis of production for exchange using wage labourers.

M-C-M' is not a sufficient criterion for characterising capital. M-C-M' is a process of concentration of monetary wealth, and its sole necessary premise is the circulation of money and commodities. The commodities might be the products of simple commodity production or capitalist commodity production or simply exotic products or surplus produce of societies primarily structured to the production of use values.

While it is absolutely true that when conceiving of a purely capitalist mode of production, no profit can be made from circulation and the merchants' profit is a portion of the surplus-value produced in the production process by the wage-workers, it is also true that prior to the emergence of the strong tentacles of the capitalist mode of production, merchants' profits were made in circulation. This is due to the fact that prior to the ensnaring web of the world market that the development of means of communication made possible far flung social organisations had quite different productivities and thus quite different socially necessary labour times for the production of a thing (see concept notes a, 'Commodity & Value', pg.34). And

Bondage in varying forms has existed extensively and over a long period. The struggle of agriculturists and craftsmen in serfdom for freedom meant doing away with the practice of giving gratis a part of their produce to their lords. These struggles inadvertently paved the way for growth of market relations. That the market made an overwhelming headway in the 17th century is universally accepted but what is obscured is who produced and how the production of commodities for the market was taking place. It was peasants and artisans who were the preeminent producers for the market at the dawn of its dominance. Production for the market by utilising wage-workers was insignificant in this period. Overlooking of this extremely significant factual detail has led to convoluted concepts and erroneous theorisations. See Marx's Capital vol. 1, part viii, 'The so called primitive accumulation' ; E.P.Thompson, 'The making of the English working class' ; Fernand Braudel, 'Civilisation & Capitalism : 15th-18th Century' vol. 1,2,3.

there lay the basis of merchants' profit within circulation. Since long before the capitalist mode of production, commodity production by artisans and peasants did give usurers and merchants a part of their produce. The wealth that accumulated in the hands of merchants & usurers had nothing to do with capital, notwithstanding the elegance and beauty of terminologies such as 'formal rule of capital', 'real rule of capital', 'formal subsumption of labour under capital' and 'real subsumption of labour under capital'.

Characterising capital as M-C-M' forces us to term as capital those production relations that have no relation at all with the capitalist mode of production, and which are, on the contrary, anchored on a totally different mode of production, i.e. **simple commodity production**. This both confuses and dilutes the rigour of (K)capital as an analytical tool. This acceptance forces us to search for capitalistic relations in the era dominated by merchants, where its very nature precludes any such possibility

Erroneous analyses and wrong characterisations are an obvious result. Peasants and artisans are many a time termed workers (implied: wage-workers); and various extractors of surplus like usurers and merchants are called capitalists ! The characterisation of capital as M-C-M' unhinges capital from the mode of production. It obfuscates historical distinctions.

Capital is a social relation, better characterised as wage labour based commodity production, or production for exchange using wage labour. Both production for exchange and wage labour are necessary for a social relation to be described as capital. Money from various sources is pooled to establish or sustain production units. A part of the money is advanced as wages to employ wage-workers. Surplus takes the form of surplus value and 'necessary' labour takes the form of wages (see concept notes d, 'What is surplus value' pg.37). The surplus value which gets realised is distributed as interest, rent, profit of enterprise, salaries (of managerial staff) and taxes. Capital is thereby differentiated from simple commodity production.

Simple commodity production is also production for exchange but without the use of wage labour. The development of simple commodity economy prepared the basis for the emergence of the capitalist economy. After the emergence of capital, capital and simple commodity production have co-existed. However, capital, because of its competitiveness in exploiting labour vis-à-vis simple commodity production, daily displaces it. Capital

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Simple Commodity Production
production for market
without using wage labour;
production constrained by
one's personal and family
labour.

Capital

- * Wage labour based production for market.
- * Investment of money from different sources.
- * Workers produce far far more than their wage. This extra unpaid labour forms the extracted surplus value.
- * Surplus value turned into money form through sale and is distributed as taxes, interest, profit, rent, salaries of managerial staff, cuts & commissions etc. and extension of production.

defined as wage labour based commodity production does away with ambiguity or obfuscation of historical distinctions. Capitalist commodity production and simple commodity production get distinct identities. Artisans and peasants are not mistaken for wage-workers. The refusal of the peasants and artisans to be coerced into the disciplined grid of wage-work will not be characterised as irrational 'idiocy' from which humanity needs to be emancipated. Progress will be associated with the barbaric wiping out of peasants and artisans.

Merchants from 16th to late 18th century were the representatives of a different mode of production. In an ocean of non-commodity production merchants were representatives of production for exchange but without the use of wage labour. This mode of production is termed as simple commodity production. For simple commodity production, value of a commodity is the sum of the value of raw materials and the wear and tear of the means of production incorporated in it and the new value added during production process. The new value created by artisans or peasants can be split into two portions: one part of new value is used for the upkeep of the domestic unit and the other part represents surplus labour (surplus produce). The surplus produce, part of new value, can be broken up further into rent + interest + taxes + levy + merchants' margin + improved life for the artisans or peasants. It may be pointed out that rent, taxes and interest have existed as modes of extracting surplus produce long before the emergence of the capitalist mode of production. (see concept notes C, 'Production units & managers of extraction', pg.36).

Mercantile activity is originally merely the intervening movement between extremes which it does not control, and between premises which it does not create. The merchants braved the elemental forces and the rude inclemency of nature with starry eyed lust for lucre. They braved the political uncertainties while crossing frontiers of states, they braved the pirates and in doing all these created the world market. Their special profits existed because of their mediation between societies with different value for the same products or transforming use-values and exotica into values (exchange values). And while mercantile activity entangled the different areas of the world into market relations with one another and created a world market, it destroyed its own independent basis of power and wealth. In its operation it subordinated production more and more to exchange value, it encompassed no longer merely a small fraction of the produce, but bit deeper

and deeper and forced entire branches of production and regions into the market arena. Existence and development of mercantile activity to a certain extent laid the basis for the emergence of capitalist production. It brought about the concentration of money wealth and a wide commodity market which capitalist mode of production presupposes.

Usurers' and merchants' wealth long precedes the capitalist mode of production and was to be found in the most diverse economic formations. Usurers' wealth broadly corresponds to the predominance of small scale production of peasants and craftsmen. Usury is historically significant, in as much as it is itself a process of pauperising peasants & artisans, and a process of generating both concentrated wealth and wage-workers. Merciless activity of usury leads to bankruptcies of peasants & artisans and feudal lords.

Only later were usury and mercantile activity reduced from their former independent existence to a special phase in the investment of capital and the leveling of profits. They then function as agents of capital. Factory production and industrial revolution provided the basis for the domination of wage-labour based commodity production, where surplus produce took the form of surplus value.

The inability to recognise merchants' wealth prior to the emergence of capital is linked to the neglect of simple commodity production as a mode of production in the past. This incapacitates the realisation of its significance in the present .

Terminologies like 'formal' and 'real' rule of capital do not in any way help in understanding the historical process of commodity economy. Simple commodity production can under no circumstances be termed as capital, with or without the prefix 'formal rule'. Simplistic presentations like 'capitalism grew in the womb of feudalism and overthrew it', which go against all historical facts, should be given the decent burial they deserve. The obvious implication, for the present, of such erroneous understanding is the futile search for 'feudalism' in areas where wage labour based commodity production is not overwhelmingly dominant. Characterising commodity production in "third world countries" even today as "semi-feudal" should now be laid to rest*. Also discarded must be the verbal jugglery of 'anti-feudal pro-capital struggles', 'tribal self-determination' etc. while characterising the life and death struggles of simple commodity producers. Terming the rapid

*Of course sticking to this kind of characterisation is certainly not solely due to wrong understanding. Instead, this is the articulation of statist-authoritarian tendencies which continuously seek theorisations to legitimise their existence. It is said, as per their logic, since the third world countries are semi-feudal, capital plays a revolutionary role & therefore establishment of the rule of 'national capital' is a necessary step. Theorisations like 'New democracy', 'People's republic' etc. follow.

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establishment and growth of commodity economy in colonies as "protection of feudalism by imperialism" can then be seen as a false front that disguises the expansion of capitalism.

Furthermore, the characterisation of capital as wage-labour based commodity production clarifies the real meaning of the dissolution of capital which can only be seen as global dissolution of all commodity production.



Extent of domination of the capitalist mode of production

Marx's assumption

Prior to any analysis of the production process of commodity economy a fundamental assumption about the extent of domination of the capitalist mode of production is made. This is done to simplify the reality for the purpose of easy comprehension. There are two possible readings of the basic assumption on the extent of domination of capital.

One interpretation can be : There exists an independent country totally dominated by capital i.e. constituted by representatives of capital and wage labourers. This implies that though capitalist production does not exist without foreign commerce, but the inclusion of foreign commerce in analysing the problem of capitalist production only confuses the issue without contributing any new element to the problem or to its solution. For this reason international commerce is totally discarded.

The second interpretation can be : The whole globe is one country and is dominated by the capitalist mode of production.

Our critique

While analysing the process of production, either of these interpretations of the assumption poses no acute problem. However, it is not so in the case of the analysis of distribution of labour and extended reproduction of capital.

Both the interpretations have two features in common. One, inter-state competition does not play any significant role in the dynamics of commodity economy. And two, the existence of other modes of production, especially of simple commodity production, have no significance. On both of these counts the assumption is flawed.

Marx's assumption and
analyses assumes away :
. inter-state competition
! other modes of commodity
production

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Though a keen observer of international events including wars among states, Marx's conceptual premises for economic analyses do not have the capacity to analyse wars amongst states. Untenable was this conceptual premise in the 19th C. In the 20th C with its two world wide (1914-19, 1939-45) and hundreds of regional massacres, this premise simply fails to decipher this reality. More importantly, this lacunae empowers the strengthening of identity based politics to the detriment of wage-workers' resistances and struggles.

This assumption erases out from the realm of analysis the competition and struggle amongst state apparatuses which play a very significant role in the dynamics of commodity economy. The expenses of states and their intervention in the production process due to inter-state competition and conflict is very significant whereas this assumption negates this.

Even on the basis of Marx's assumption states' role needs to be taken into consideration while dealing with economic processes. State apparatuses corner a very significant portion of the total produce, whose distribution is determined by the logistics of their sustenance. Custom duties, excise duties and other taxes have always played an economically crucial role in determining the dynamics of commodity economy. Differential taxes and subsidies (which are actually lower taxes) are used by the state apparatuses in determining the solvency or insolvency of enterprises according to their strategic and other needs. Marx's analyses simply erase this all pervasive economic role of state apparatuses in commodity economy.

Commodity economy did not grow in a political vacuum, but under the watchful gaze of state apparatuses. In coercing the 'bonded to person' peasant and artisan into disciplined appendage of machines, the wage-worker, state apparatuses have played an overwhelming role. Their actual weightage is lost both due to conscious erasure and unconscious neglect. Anti-vagabondage and anti-beggary acts, denial of access to natural resources through enclosures and forest nationalisations, organisation of slave labour and indentured labour, forced emigrations and also suppressing rebellions of artisans and peasants against factory system (e.g. Luddites) are well known historical examples. In addition to these is the more obvious role of tackling social discontent and resistances to wage-work.

The policing apparatus of surveillance and control, the legal system of discipline and punishment, the armed forces for suppression and instilling fear, schools for training and discipline, the political institutions for camouflage and management and other organs of state apparatuses are intimately connected with the present production process of surplus extraction. The production process cannot be visualised without them. Added to all these is the constant mass mobilisation for inter-state contentions and conflicts.

State apparatuses have played a crucial role in both keeping branches of production alive and competitive or doing away with them. States' role in the coercion of wage-workers on the one hand and differential taxes and custom duties on the other have always determined to a greater or lesser extent the competitiveness of various production units. States act as factions of global capital. The monetary and fiscal policies, especially in the 20th century, determine the viability of branches of production within state frontiers. The policies themselves are determined by competition in the world market. There is an additional compulsion, that of tackling social discontent. Marx's analysis sadly, if at all it does, deals with the economic role of state apparatuses in a very cursory way. It is constrained by its own assumption. Today, when states gobble more than 50 percent of the global produce amongst themselves, this deficiency in Marx's assumption becomes painfully glaring.

Secondly, this assumption of Marx disregards the significance and existence of simple commodity production. This leads to serious errors while analysing extended reproduction of capital and the violence that accompanies enlarged reproduction of capital. Moreover it fails to show the necessity for capital to "mould the world in its own image". This problem is dealt with in the section on the accumulation of capital .

Inability in recognising simple commodity production hides a significant factor causing disparity in value of labour power and wages.

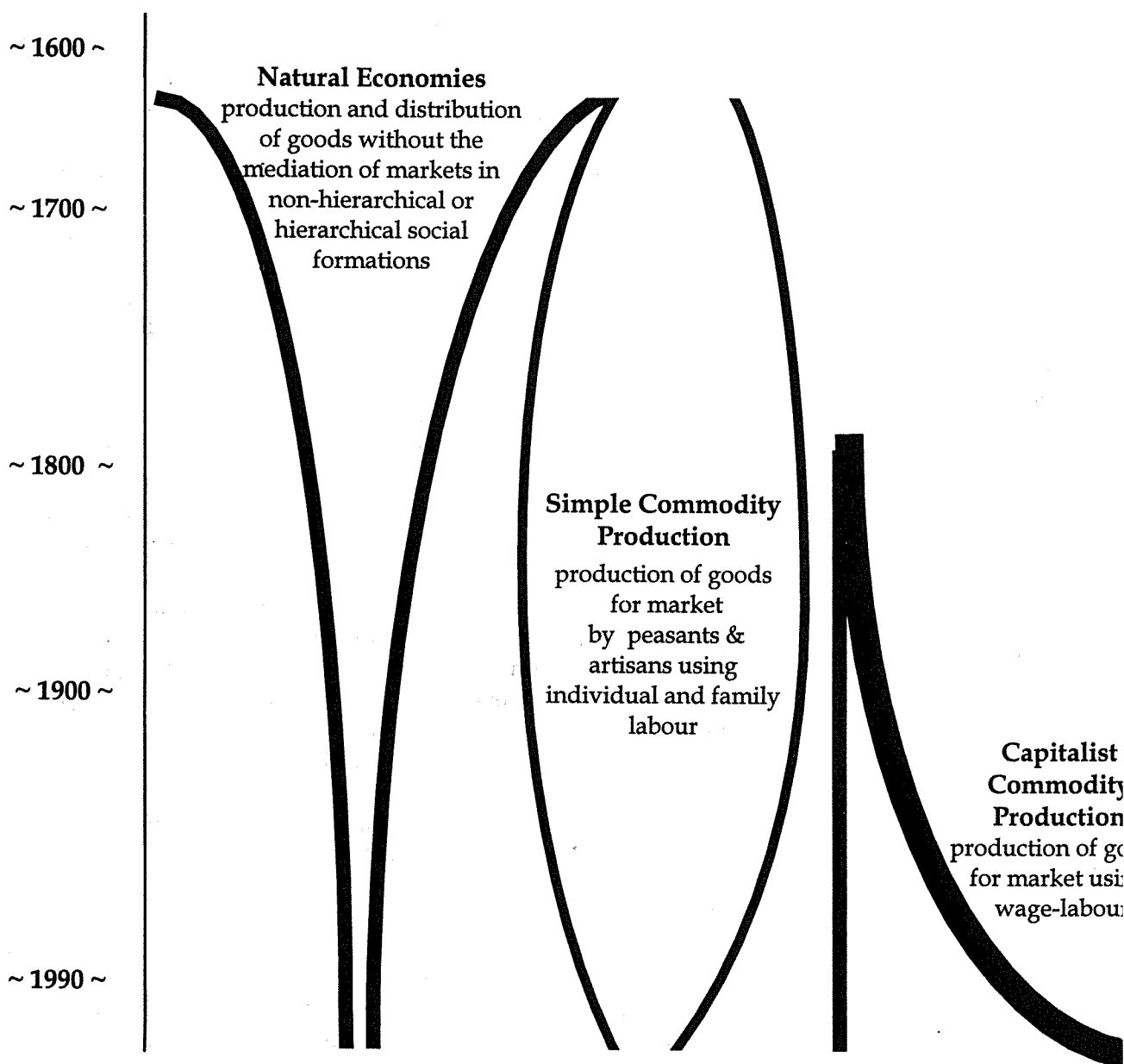
The disregard of simple commodity production, leads to another disparity between theory and reality. As per Marx, on an average wages represent value of labour power. Value of labour power is the value of subsistence and other goods necessary for the reproduction of the wage-worker. But it needs to be pointed out that the creation and reproduction of significant numbers of wage-workers takes place within simple commodity production. Children of peasants and artisans become wage-workers. Wage-workers often continue as members of peasants' and artisans' families. Which means a part of the value of subsistence and other goods, which are necessary for the reproduction of the wage-workers come from the simple commodity producing unit to which they belong. Therefore, the wages do often represent a far lesser amount than the value of labour power. This was important throughout the world, and is still important in large areas.

A better and more meaningful assumption or starting point would be to assume global production to be dominated by commodity production, which includes capitalist commodity production and simple commodity production. Global

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production is divided into various factions of capital, organised as state, corporate, company formations. Each region has to a greater or lesser extent segments of simple commodity production. Each faction competes or struggles against all others for greater and greater share of the global produce.

A periodisation of social formations



III

Significance of the tendency of the rate of profit to fall

Marx's analysis

Marx understood and presented the tendency of the rate of profit to fall as a necessary reflection of the dynamics of the capitalist mode of production. It was shown that accumulation and increasing productivity of capital is reflected in the tendency of the rate of profit to fall. With the development of the capitalist mode of production, therefore, the rate of profit falls while its mass increases with the growing mass of the capital employed. Absolute mass of exploited labour set in motion by the social capital and consequently the absolute mass of surplus labour it appropriates, and the absolute mass of profits increase progressively. The same process produces for social capital, a growing absolute mass of profits and fall in the rate of profit. A fall in the rate of profit hastens the concentration of capital and its centralisation through expropriation of minor capitalists. This accelerates accumulation with regard to mass, although the rate of accumulation falls with the falling rate of profit .

Tendency of the rate of profit to fall and increase in the mass of profit are joint processes.

The fall in the rate of profit checks the formation of new independent capitals and this was visualised, by Marx, as a threat to the development of the capitalist production process (Capital, Vol. III, Part 3, Chapter 15 – 'Exposition Of The Internal Contradiction Of The Law'). As the rate falls the required capital for extension of production increases and individual capitalists, constrained by their own limited existence, find it extremely difficult to organise sufficient wealth to expand production .

Marx went on to show that growing accumulation of capital implies its growing concentration. Thus grows the power of capital, the alienation of the conditions of social production personified in the capitalist from the real producers i.e. the

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Fall in the rate of profit explains the demise of individual owners – the capitalists.

Marx excluded stock companies from the process of leveling of profit. For stock companies tendency of the rate of profit to fall does not have any crucial significance.

workers. Capital comes more and more to the fore as a social power, whose agent is the capitalist. In this ambiance what was made irreconcilable was the contradiction between the general social power into which capital develops, on the one hand, and the private power of the individual over those social conditions of production on the other.

Our critique

Expropriation of capitalists or the dissolution of the private power of the individual capitalists would thus obviously be negation of capital. But joint stock companies in production enterprises were fast developing where individual power of private capitalist was gradually being curbed and personification was dissolving into facelessness. Towards this development Marx had a very ambiguous position – for him it was a negation of capital, albeit a negative one. And co-operative factories of workers were to him the positive negation of capital (Capital, Vol. III, Part 5, Chapter 27 – 'Role Of Credit In Capitalist Production'). In stock companies individual owners, the capitalists, lose significance. As Marx himself stated "Stock companies ... banks ... only the functionary remains and the capitalist disappears as superfluous from the production process." (Capital, Vol. III, Part 5, Chapter 23 – 'Interest and Profit of Enterprise'). Its obvious practical extension, dissolution of capitalism through expropriation of capitalists and state control was attempted but we know with what catastrophic results .

As the rate of profit falls, the absolute amount of the means of production, in value terms, required to set up a production enterprise becomes larger and larger. This increasingly makes it difficult for individual owners to build and run production enterprises, necessitating the formation of joint-stock production enterprises. As this gains momentum, it incapacitates individual capitalists to continue production at a level which is competitive vis-a-vis joint stock production enterprises because stock capital handles far greater amount of absolute wealth than do individual capitalists. This resulted in the demise of the dominance of individual capitalists. But for stock capital, rate of profit does not have that crucial significance that it has for individual owners. The absolute mass of profits compensates for the fall in the rate of profit. Investment continues as long as the absolute amount of profit remains an attraction to the investors. Production process is impaired only when sufficient returns are not realised to pay the

taxes and interests besides the cuts & commissions. The stimulating principle of capitalist commodity production becomes more and more absolute profits, whatever the rate of profit.

Marx's understanding of the capitalist mode of production was limited to the individual ownership of the means of production, whose demise is adequately explained by the tendency of the rate of profit to fall. The perpetuation of capitalism through joint stock companies and state owned production enterprises was not considered by Marx.

Marx's work is coloured by the 19th century reality. Capitalist mode of production was equated with a specific form of capitalism i.e. capitalism predominantly constituted by production units of individual owners i.e. the capitalists. Expropriation of capitalists was thus equated with the dissolution of the capitalist mode of production. Since the tendency of the rate of profit to fall explained the demise of capitalists and posed objective limits to their existence, it was presented as 'the law' which would destroy capitalism (see concept notes g, 'Average rate of profit and its tendency to fall', pg.41). The possibility of the dominance of joint-stock and state owned production enterprises was not considered. What was not considered was the possibility of an era where instead of innumerable individually owned production units, numerable joint stock enterprises (where the mass of profits would more than compensate the falling rate of profit) would predominantly constitute global production. And therefore it is not surprising to find Marx writing thus: "The rate of profit i.e. the relative increment of capital, is above all important to all new offshoots of capital searching to find an independent place for themselves. And as soon as formation of capital were to fall into the hands of a few established big capitals, for which mass of profit compensates for the falling rate of profit, the vital flame of production would be altogether extinguished. It would die out." (Capital, Vol. III, Chapter 15 - 'Exposition Of The Internal Contradiction Of The Law', Section 3).

Again not surprisingly among counteracting influences Marx included increase in stock capital². With the progress of capitalist production, which goes hand in hand with

² As per Marx the following six are the most general counterbalancing forces among all possible counteracting influences to the general law of the falling rate of profit (Capital, Vol. III, Part 3, Chapter 14, 'Counteracting Influences'):

1. Increasing intensity of exploitation . (Increases surplus value, other things being same.)
2. Depression of wages below the value of labour power. (Increases the extracted surplus value.)
3. Cheapening of elements of constant capital . (Decreasing 'C' increases the rate of profit.)
4. Relative over-population. (Decrease in wage due to the cheapness and abundance of disposable or unemployed wage-labourers, and thus increases surplus value extracted)
5. Foreign trade. (Cheapens the elements of constant capital 'C', or partly the necessities of life for which the variable capital is exchanged. It increases the rate of profit by increasing the rate of surplus value and lowering the value of constant capital.)
6. The increase of stock-capital.

accumulation, a portion of capital is calculated and applied only as interest bearing (or dividend bearing) capital (Capital, Vol.III, Part 3, Chapter 14- 'Counteracting Influences'). As per his analyses these capitals, although invested in large production enterprises, yield only large or small amounts of interest, so called dividends, after all costs have been deducted (Capital, Vol.III, Part 5, Chapter 27 - 'The Role of Credit in Capitalist Enterprise'). These do not therefore go into leveling the general rate of profit. If they do enter into it, the general rate of profit would fall much lower. Theoretically, they may be included in the calculation, and the result would then be a lower rate of profit than the seemingly existing rate, which is decisive for the capitalists. Thus the falling rate of profit though would create immense problems in extension of production for individual capitalists, would not affect these dividend bearing enterprises. Railways was cited as an example for such large enterprises.

The scope of operation of the general law of the tendency of the rate of profit to decline was implicit but never explicitly stated. But the scope may be guessed at by considering the fact that the development of stock companies was included within counteracting forces. Translated to present day reality it means inclusion of almost total global capital, excluding a non-significant part, within counteracting forces!

Given that the average rate of profit was derived by Marx by explicitly excluding joint stock production enterprises, the concept or the term 'average rate of profit' has become meaningless with the overwhelming dominance of joint stock and limited companies in production enterprises. The tendency of the rate of profit to fall does not, indeed can not, explain any significant political economic reality in the present. Obsession with the significance of the rate of profit and its tendency to fall in the present results in very sad and shabby attempts in force-fitting data to outdated concepts. Since a hundred years now the capitalists, the individual owners, have lost significance as fractions of total capital. Individually owned enterprises perhaps do-exist, but their produce all put together adds up to a very insignificant proportion of global produce. Instead, stock companies, limited companies and state enterprises proliferate. Here the stakes of the managements in the total investment are insignificant. Their share of the produce in terms of managerial salaries and cuts & commissions add upto 10 to 15 % of the total produce. Interests and taxes hack up the biggest share of total produce. Enterprises which predominate today mostly run on loans from banks, pension funds and other financial

The rate of profit has no significance in the present where stock and limited companies predominate.

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institutions. Out of the total investment, shares of thousands of shareholders form around 10 to 15% and the rest are all borrowings from pension funds, banks and other financial institutions. Even within shares, the majority of shares are owned by financial institutions, other companies and mutual funds. Insignificant percentages of shares are owned by individuals. And as per Marx's own analyses, the average rate of profit does not include even the stock companies of 19th century which were far less faceless than the production enterprises of today.

Given this meaninglessness of the 'average rate of profit', to say that 'the tendency of the rate of profit to fall' is 'the law of capital' is absolutely farcical. That this farce is widely enacted can possibly be explained as an ideology or apology for bureaucratic or management run capitalism.

Wars do not decrease the organic composition of capital. Rather, they increase and help in increasing it.

It is difficult, as it is, to give any significance to rate of profit in the 20th century. It is still more difficult to give credence to a theorisation, in circulation, which asserts that war plays an instrumental role in decreasing the organic composition of capital and thereby raising the rate of profit. It is said that war by destroying capital lowers the organic composition of capital and thus raises the rate of profit thereby making another cycle of capital accumulation possible .

Capital is a social relation of wage labour based production for the market. Material and human destruction is not destruction of capital. War does not undermine market and money relationships. Rather, capital as a social relation expands during war.

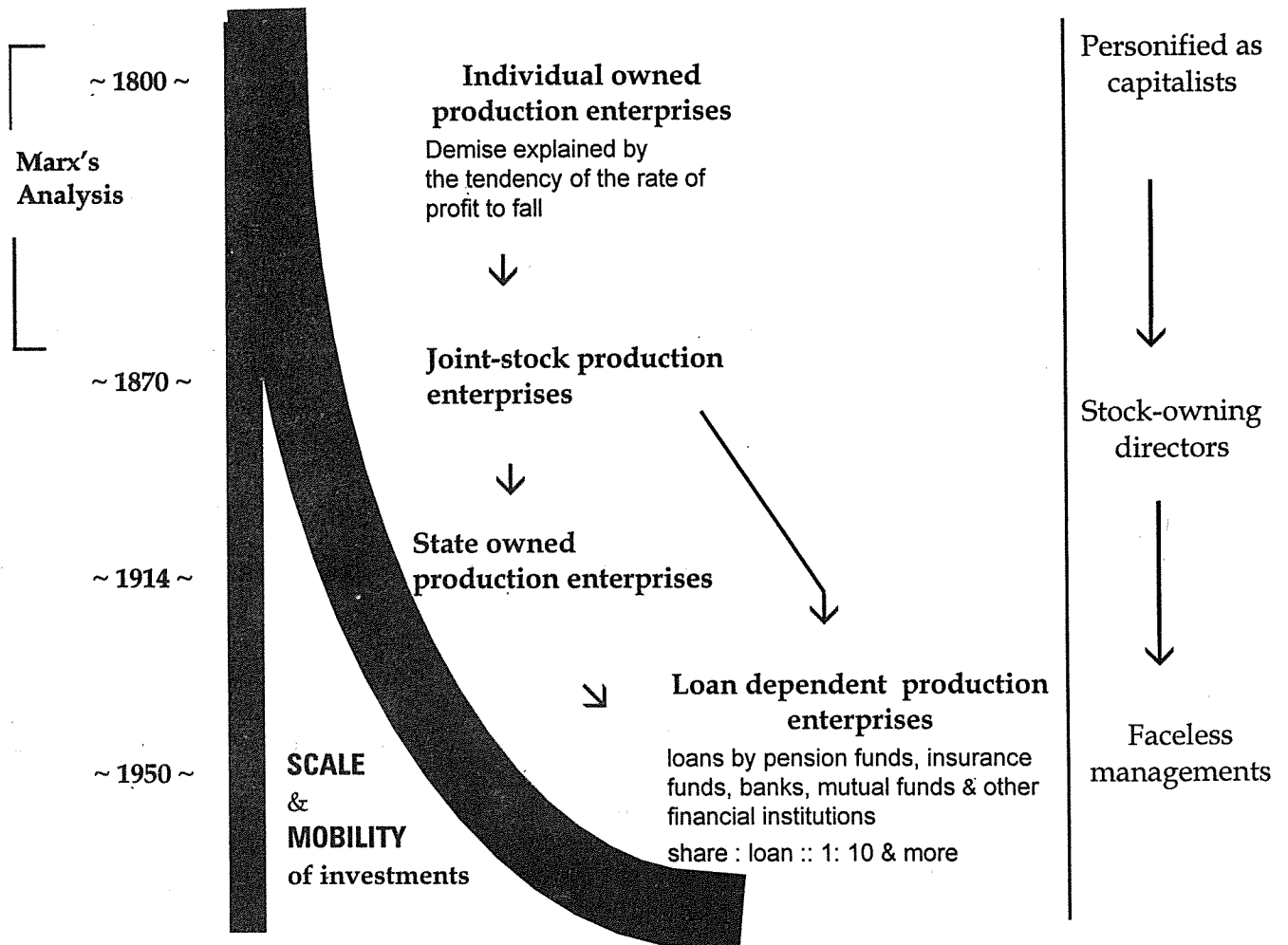
State indebtedness, interest payments, reparation payments, inter-state loans, war loot and highly raised taxation facilitate investment flows and capital formation. Though it must be said that these also lead to enormous growth of fictitious capital .

War does not lower the organic composition of capital. The pace acquired by armaments research and the transfer of its havoc, new technologies, to industrial sphere raises the organic composition of capital. Ruthless war time measures to overcome wage-workers' resistances to work intensification itself gears towards a higher organic composition of capital. Mobilisation for armed forces makes it necessary to devise machines and processes that require lesser number of persons to operate them. War entails cut-down on personal consumption, which means shifting of investments from production of personal

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consumption (i.e. branches, in general, with lower organic composition of capital) to branches producing armaments and means of production (which have relatively higher composition of capital). War demands and facilitates huge investments in transport and communications. The organic composition of capital in roads, railways, cables and satellites is very high. War leads to greater weightage of high organic composition spheres in capital as a whole. Not only does war facilitate the growth of organic composition of capital, it also provides ideological cover for the same. A bomb exploded is not capital destroyed – it lives in account books.

Paradigm Shifts of Capital



IV

The problem of extended reproduction

Marx's analysis

The process of reproduction of capital comprises the direct process of production, whose compelling motive is the production of surplus value, as well as the total circulation process which separates the production processes. "Consumption furnishes the impulse to produce, and also provides the object which acts as the determining purpose of production. If it is evident that, externally, production supplies the object of consumption, it is equally evident that consumption posits the object of production as a concept, an internal image, a need, a motive, a purpose"³. This total process comprises both the productive consumption (i.e. the direct process of production) together with the conversions of form, i.e. exchanges, which bring it about, and the individual consumption. Individual consumption is that for which the labourers expend their wages and representatives of capital, the surplus value or a part of it, together with the conversion of form or exchanges by which it is brought about.

Reproduction includes both production and circulation process.

An essential part of the process of circulation is the realisation of values of all commodities produced. And this is an essential prerequisite for further reproduction of commodity economy. As soon as any surplus labour is squeezed out and has been embodied in commodities, surplus value has been produced (the production of this is limited by the productive power of capital and the resistance of wage-workers). However, this production of surplus value completes but the first act of the capitalist process of production – the direct production process. Capital has absorbed so and so much unpaid labour. With the development of the process, the mass of surplus value thus produced swells to immense dimensions. Now comes the second act of the process. The entire mass of commodities i.e. the total product, including the portion which replaces the

³ K Marx, 'A contribution to a critique of political economy', Introduction.

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constant and variable capital, and that representing surplus value, must be sold. If this is not done, or done only in part, or only at prices below the prices of production, labourers have been indeed exploited, but their exploitation is not realised as such for capital, and this can lead to total or partial failure to realise the surplus value pressed out of the labourers, indeed even to the partial or total loss of the capital. The conditions of direct exploitation, and those of realising it, are not identical. They diverge in space and time.

To analyse the process of reproduction, the total production by wage labour is divided into two major departments engaged in the production of producer and consumer goods respectively. The two departments are interdependent and therefore bound to display a certain quantitative relationship, namely that one department must produce all the means of production and the other provisions for the workers and representative of capital of both the departments. This is purely a technical division and has no relation with the two class nature of capitalism.

Simple reproduction is understandable assuming a closed capitalist society. But extended reproduction can not be comprehended so.

In a closed capitalist system, which Marx assumed, comprehending simple reproduction, where all produced surplus value is consumed individually by the capitalist class as a whole (unproductively so to say), posed no problem. The production of commodities, and the process of circulation, where values are exchanged for values, and again production at the same scale can be shown to form a continuous circuit. But as soon as one tries to analyse extended reproduction within a closed capitalist system, one immediately runs into immense problems.

It is unpardonably naive to say that by projecting an ideal capitalist society, it was assumed that everything produced is sold and "the capitalist has absolutely no headaches over markets" (as Lenin had asserted in his characteristic style). To be fair to Marx, in taking an ideal capitalist society, he did not conjure away the process of circulation, of buying and selling, and never did he assume that everything produced is sold. Instead, a painstaking attempt was made to demonstrate that the circuit of circulation, the circuit of exchange of value for value can be completed. Though it was demonstrated in the case of simple reproduction, in the case of extended reproduction it ended in a failure.

Our critique

Extended reproduction means that the total global capital accumulates, i.e. the total surplus value is not consumed by the class of representatives of capital but instead a part of it is used for further extension of production.

Assuming a closed society of capitalist commodity production, the circuit of circulation for extended reproduction cannot be completed. To be precise, the surplus value produced cannot be realised without subverting the elementary rules of commodity exchange, wherein commodity production abstracted to a global totality, all the values exchanged need to be balanced. For expanded reproduction what is required is more means of production, extra labourers or extra money to pay as wages – for all of which extra values are required in their money form. These pre-requisites need to be satisfied by both the departments of production, which, how hard you try, is not possible logically under a closed capitalist society. Labourers there are aplenty within the reserve army of labour and means of production may be productively consumed by the department of production producing means of production. But the department producing means of subsistence needs to buy means of production from the other department and both the departments need to pay wages to the extra labourers. These cannot be shown to be possible in value terms in a closed capitalist society.

Stubbornly and stoically sticking to the original assumption of a closed capitalist commodity production there are two ways of theoretically surmounting this problem. One is to link the production of surplus value of gold producers with the growth of total capital. That is, the surplus value of gold producers, created in the form of gold, be made to be the sole fund from which all other branches of production would draw the material for conversion of their surplus product into money. For the product, gold, itself is the money commodity. It can be directly used to buy any other commodity. The magnitude of the surplus value of the gold producers would then have to be equal to the entire annual surplus value of society which is to be accumulated. An assumption which is universally accepted as absurd (Capital, vol. II, Chapter 21- 'Accumulation and Reproduction on an Extended Scale', see the introductory part and section 4 – 'Supplementary Remarks').

The second way is by theoretically deriving strict mathematical functions⁴, to which the development of organic composition of capital or labour productivity of the two main branches of production need perforce to conform. By all means an equally absurd solution. This can be possible, only in the clean, controlled and rarefied world of experimental laboratories and not in the actual mundane world of commodity production.

An appropriate solution is that the realisation of surplus value for accumulation of total global capital, be actuated or mediated through exchange of commodities with non-capitalist commodity producers (see concept notes **h**, 'The accumulation of capital : problem & solution' , pg.42). A solution which was presented by Rosa Luxemburg in "The Accumulation of Capital".

It must be mentioned that following Marx, Rosa Luxemburg's understanding of capital carries the imprint of 19th C. Characterising capital as constituted by innumerable private producers – the capitalists, and other such inadequacies of Marx apply to her as well. In addition to this Luxemburg absurdly posits military expenditure as a solution to extended reproduction.

Non-capitalist or simple commodity production is the production of commodities without the use of wage labour. Being commodity production, this produce needs to compete in the market with products of capitalist commodity production (see concept notes **f**, 'Law of Value', pg.40). Necessarily in the long run simple commodity production loses in competition with capitalist commodity production because of the higher level of productivity of capitalist commodity production. Thus broadly stated, as capitalist commodity production accumulates and grows, simple commodity production contracts. Simple commodity production is an indispensable necessity for surplus realisation & accumulation of capital and accumulation of capital marginalises this mode of production. This contradictory process lays down the ultimate barrier to capital accumulation. There are some counteracting forces against the absolute contraction of simple commodity production, but that is besides the point, for they cannot, in the long run, halt the process of marginalisation of this mode of production. This theory of capital accumulation conforms to historical facts and present day reality

Distribution of labour in commodity producing society, in its totality i.e. including wage labour based commodity production and simple commodity production, is equilibrated through the operation of the law of value. Exchange between capitalist

⁴ As attempted by Henry Grossman.

commodity production and non-capitalist commodity production, is the crucial and necessary link in the chain of extended reproduction of the capitalist mode of production. This theorisation locates the sources of conflict in the present day world, which can be explained by simplified political-economic analyses, to be either the antagonistic relation of capital and labour or the desperation borne of the marginalisation and pauperisation of simple commodity producers or inter-faction maneuvering. This conceptualisation shows politics based on concepts of oppressor and oppressed countries, national socialisms, labour aristocracy to be ridiculous.

Laying down of ultimate objective limits to the growth of global capital does not mean "automatic" collapse of commodity producing society. At the outset it should be mentioned that accumulation is a condition of preservation for individual factions of capital. The total global capital may, at least theoretically, expand, stagnate or even contract. Individual factions may, and quite often do, accumulate at the expense of other faction or factions, who in turn fade out in the competitive market. So the real meaning of this objective limits is that with accentuation of the problem of accumulation of total capital, competition tends to become sharper and fiercer. Perforce increase in productivity and search for markets become questions of life and death for each faction of capital. Trade wars, wars and catastrophes become a common occurrence. Factions of capital turn bankrupt which in today's world means bankruptcies of whole state apparatuses. Left to itself nothing remains certain except the absolute uncertainty of the outcome.

As the 20th century has progressed, the working day for a domestic unit has become : 8 hours wage work of man + 8 hours wage work of woman + 6-8 hours of overtime/part time wage work of man + 4-6 hours of overtime/part time wage work of woman + 4-6 hours of wage work by children == 30-36 hours. Even today there are only 24 hours in a day but the working day of living labour has become 26-36 hours. Commuting time for work is besides these hours. And who can do without domestic work? But leaders thunder for 35 hour week! Jokers chime in with 4 -hour day.

The will to survive of a faction is expressed in increasing intensity of work and decreasing purchasing capacity of wages, reflected in increasing working hours for a wage-worker to survive. In short, increasing exploitation of labour. On the other hand, the pauperised simple commodity producers express themselves in extreme movements and mass upsurges. From within these concentrated uncertainties, humanity will have to search out a future.

Proletarian revolution is **not** an inevitable historic necessity, it is **not** pre-ordained, rather, it is a necessity for human survival and choice which human beings need to make. Between these two propositions there is a difference, a subtle difference

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Agonies of a mode of production facing social death was starkly visible in the oustings and forced migrations of millions from Europe to Americas, Australia and Africa in the 18th & 19th centuries and is still starkly visible in the grim tragedy of hundreds of millions of pauperised peasants and artisans in Asia, Africa and Latin America with nowhere to go. The desperation borne out of this situation is by and large mobilised by contending power centres in their machiavellian game. The charm of Mahatma Gandhi and Chairman Mao lies in their ability to mobilise this large amorphous and scattered population in the service of the modern state and capital.

perhaps, but still a difference which separates conscious acts from oracular prophecies.

All state apparatuses regulate the functioning of capital today and in this sense all countries are "capitalist countries". But each country has to a greater or lesser extent some segment of simple commodity production. This segment, of course, in the present is significant in the so called 'third world' countries. No country can be characterised as a non-capitalist country.

The problem of accumulation is faced by total global capital, transcending all national boundaries. How, in what form and to what extent this problem expresses itself in individual factions of capital is a totally different question. Desperate attempts by powerful factions of capital staking disproportionately large amounts of wealth for smoother access to markets, whether these expenses be on arms or advertisements; under-capacity production; 'grants' (lower taxations) by states to keep land fallow, are some of the expressions of the problem of global accumulation. The quantification of this process and its exact predictive potentiality is yet to be explored

It is indeed very difficult to comprehend the mind set which shows extreme unreasonable obduracy in accepting this analysis of understanding the accumulation process of capital. This obduracy is either grounded on a reverential attitude towards marxian orthodoxy. Or, a far more disturbing possibility is that this stubborn inflexibility signifies a refusal, a refusal to be disturbed from the certainty and blissful reverie of a particular variety of state-capitalism. For if disproportion among branches of production is the sole basis of crises, national planning logically leads to dissolution of all possibilities of crises. And therefore a variety of state-capitalism whose chief characteristic is production based on national plan can be proved to be crisesless, as indeed a Bukharin had so forcefully asserted. That variety of state capitalism can be theoretically thus made to be the first stage of a jump towards communism. And then, the history of the Third International follows. The blatantly authoritarian act of formation of a standing army with the prefix red goes unchallenged to date. At worst hailed and actively participated in and at best overlooked by the advocates of emancipatory aspirations. Such is the deadweight of an uncritical acceptance of theorisations.

V

Monopoly capitalism and imperialism

As it has been stated earlier, theories of monopoly capitalism and imperialism have not been dealt by Marx. They post date Marx, still they need to be analysed for they are deeply entrenched within post-Marx marxian and other tendencies.

Monopolies, monopoly capitalism, super profits, imperialism, economic-imperialism, eco-imperialism, etc. have figured in many attempts in this century at understanding and intervening in the social process. These theorisations have certain basics in common.

Post-Marx marxian propositions

Monopoly capitalism, it is said, originated with the concentration and centralisation of capital. Big companies, cartels, alliances and combines were formed. Agreements were reached between big capitals to not to compete by lowering prices, i.e. price competition was abolished. These alliances took different forms ranging from gentlemen's agreements to cartels to trusts and to total mergers. The process of concentration was also operating in banks for broadly similar reasons. These bigger players divided the spoils between themselves at the expense of the smaller players.

It is further said that the concentration of industrial capital and the formation of capitalist alliances, groups and trusts resulted in the establishment of de facto monopolies in a number of sectors of industry. A single firm or a small number of firms were in control of such a substantial slice of production that they could, over fairly long periods, fix prices, becoming independent of the state of business. Big financial groups controlled these companies. These financial groups also held controlling positions in banks, insurance companies, industrial, commercial and transport companies. Thereby the financial groups came to possess control over a large proportion of industrial and financial activity.

Marx excluded large stock enterprises from the purview of the average rate of profit because their inclusion would make the rate of profit too low to be of any analytical use. His epigones, with far less logic and far more certainty and comedy, assert that large enterprises garner far greater rate of profit than the average rate of profit!

Some profound and original marxist political economists (Ernst Mendel et al) have added a clause to monopoly price fixation. The monopoly trusts are not able to fix their prices and super profits in a completely arbitrary fashion, beyond a certain limit because an excessive raising of prices would cause demand and sales to fall and lead to revival of competition. Talking plainly it means that monopolies cannot fix prices irrespective of competition, thus, monopolies fix and do not fix prices, eliminate competition and yet compete, all at the same time. This perhaps is the zenith of dialectical thinking.

These theories assert that the mechanism of price fixation, the "control" of the free flow of capital or the elimination of competition, enables monopolies to escape from the general equalisation of the rate of profit. In other words, they extract monopoly super profits, far above the average rate of profit. These super profits result from the raising of the selling price of products in the monopoly sectors above the price of production. This broadly is the description of the basics of the theories of monopoly capitalism.

Our critique

Competition is not negated by the big companies or 'monopolies'. Competition exists at various levels – between firms, within branches of production, among these branches, within countries and regions, among countries and regions and blocs, etc. Monopolistic price-fixation of a necessary product and all its alternatives is an impossibility. In a sense, every product in the market competes against all other products because the market has a limit. Even though people cannot replace food with clothes for their needs, while buying they have to make choices as their wages are limited.

Competition, exchange and the value relations formed on their basis help explain the distribution of labour in a commodity economy. Theories of monopoly capitalism blatantly subvert the analyses of value relations i.e. they render impossible comprehension of the social distribution of labour in commodity economy. Furthermore, the basic mechanism of equilibration of social distribution of labour through competition in the market and the resultant price fluctuations are re-shrouded in mysticism, by a flourish of spurious facts.

Under certain circumstances, for a limited period of time, surplus profits may be and are realised. In the 19th century an individual owner of a factory who employed a new invention before it became generally used, undersold other competitors and yet sold the commodities above their individual price of production, and in the process realised the specifically higher productiveness of labour employed. Thereby a surplus profit was secured. However, the very nature of commodity production, of social distribution of labour through competition, breaks such barriers sooner rather than later. Capital does not tolerate monopolistic price fixation.

reflections on marx's critique

When it is said that capital does not tolerate monopoly price fixation, it is meant that monopolistic price fixation can not exist in the world market. Within a country monopoly pricing within a branch of production may exist through legislative intervention. But each branch competes against other branches of production e.g. railways need to compete with road and air transport. And, transport as such competes with steel, electricity, oil, food, clothing etc. It needs to be clarified that monopoly is quite often confused with centralisation and concentration of production processes and communication networks.

Limitations of not being able to see capital beyond private ownership led to the use of Marx's conceptual framework by social forces which saw their interest in equating capitalism (a word which had gained notoriety) with private ownership, and legitimise their stake to power (see Legacy, Pg.32–33).

At a certain point in the development of commodity production credit system and banks appeared as humble entities engaged in the circulation of commodities but later they turned into powerful instruments in the process of centralisation, concentration and accumulation of capital. The strength of these institutions is a reflection of the extent of coagulation of wealth that eventuates within their realm. Through banks, financial institutions and credit system emerged various ways of transforming money into capital, without the direct involvement of the owners of money in the production process. With increasing scale of investments joint-stock production enterprises became the dominant form of enterprises rather than individual-owned enterprises. The advent of stock-capital and bank-loans provided the possibility of an enormous expansion of the scale of capitalistic enterprises. This was due to the fact that employment of capital could move beyond the narrow bounds of private ownership of means of production. This spelled the downfall of capitalism dominated by individual-owned enterprises.

However, theorisations trying to understand capital's dynamics did not outgrow the concept of private-ownership. They tried to explain the activities of managers, directors of companies, banks and financial institutions and could see only conspiracies being hatched all around. The dynamics of commodity production was lost sight of. It is true that conspiracies were and are hatched through control over banks and financial institutions. But conspiracies do not explain the expansion process of commodity production. Underlying all conspiracies and political turmoil lies the dynamics of the process, the dynamics of the accumulation of capital.

Post-Marx marxian propositions

Not having interest in grasping the logic of commodity production, these theories proceed from **monopoly capitalism to imperialism**. It is asserted that the age of monopoly capitalism rapidly becomes the age of the revival of colonialism. Grabbing foreign lands and closing them to foreign competition as markets for finished products, sources of raw material and cheap labour, or fields for capital investments, that is, as sources of super profits. This is what becomes the central theme of the foreign policy of capitalist countries from 1880 onwards. The basic division in the world was characterised as between oppressor and oppressed countries. And this was presented as theories of imperialism.

Our critique

Theories of imperialism have been one of the most potent tools to camouflage the degradation of wage-workers' lives in "imperialist centres", notably western Europe and America. Exponential rise in work intensity and rate of exploitation, increase in the working day to sustain shrinking domestic units is totally erased from all discourse. Surveillance cameras constantly monitor productivity & discipline and jokers trumpet their "aristocracy of labour" slogans. The farce goes further and accuses wage-workers' in 'imperialist centres' of greedily sharing the imperialist loot.

Flip side : degradation of wage-workers', peasants & artisans' lives in 'oppressed countries' is attributed to imperialist loot. Thereby erasing the real reasons : the violent and brutal expansion & growth of capital in these areas.

(See concept notes e, 'The politics of Wage and Time bargain', pg. 39)

Colonies as being the source of raw material and markets for the end products for production enterprises situated in the imperialist centres has been given the status of the truth in most interpretations of history. To dissuade the proponents of such doctrines, some straightforward facts need to be pointed out. Before the turn of the eighteenth century, the colonial centres (like Amsterdam, Lisbon, Antwerp, Venice, London, Paris etc.) were basically thriving on trade and imported finished commodities from many areas. Areas in the Indian subcontinent (like Dacca, Surat, Calcutta, Calicut, Karachi etc.), for example, were major exporters of textiles to the English islands and net importers of silver. Before the advent of steam & coal based factory production, Western Europe and North America were not the most competitive manufacturing bases .

Only after the industrial revolution did this flow reverse. And even then the myth of manufacturing centre and agricultural hinterland has had no basis. No country is solely a supplier/consumer of raw materials or finished products. As an ironical twist, today a highly industrialised and "imperialist country" like USA can possibly be termed as "agricultural hinterland" of the world. The importance of super-profits as an explanation of imperialism also stands on flimsy ground. In 1983 the share of 65 countries (including China and India) which are supposedly under "imperialist grip", cumulatively did not add up to even six percent of the total global produce in value terms. What significance can be attached to "super profit" then? And search as you may, no country can be justifiably called "rentier state". Facts bite too deep into imperialism theory.

Obviously, a theory as pervasive as the imperialism theory does not lack a significant impact. Because, what it does is to shift the focus of analysis and mediation to the relations between factions of capital, primary among them being nations. Exploitation becomes a relation between strong and weak capitals, a relation between oppressor and oppressed nations. This theorisation calls for intervention in the social process on behalf of the weaker factions in their struggles against the stronger factions.

Mercantile activity had entrapped semi-independent societies and inter-linked the world. It had created an economy at a

global scale. Thenceforth, labour has been increasingly distributed as per global needs, needs judged through the filter of commodity relations. Produce increasingly takes the form of global produce and is parcelled out among various states, and within states. We have inherited an inter-linked and consequently interdependent world. Every article that we use is the conglomeration of labour of workers distributed throughout the globe.

The story of USA in late 19th century and the ferocious "Asian Tigers" towards the end of the 20th century well illustrate this.

Capital accumulates and grows, both extensively and intensively. It grows spatially in a direction where organic composition of capital is attractive, where either means of production and labour or any one of these is cheaper. Broadly, it grows towards a direction where the organic composition of capital is lower and rate of surplus value is higher. Factually, in general it spreads from all its established points towards all capitalistically underdeveloped locations. Capital which is a social relation has no nationality, no regionality and no continentality. Capital has neither a periphery nor a centre .

The extracted and realised surplus value is distributed globally, broadly in the form of interest, rent, taxes, cuts & commissions and profit. The surplus value added within a production unit, within a branch of production or within a nation is not the surplus value that finally is usurped by that production unit or that branch of production or that nation. Also, the surplus value that anyone of them get is not equal to the surplus value that they got produced in their domain. It can be said that surplus values coagulate as global surplus value and then its parcelling out takes place. Size of parcels depend on a number of factors and the prominent ones today can be gauged from the allround stress on human resource development, military spending, surveillance techniques, diplomacy, intensity of work, extension of working day, monetary & fiscal manipulations etc. Capitals get organised into factions and these factions of capital fight over distribution and redistribution of the realised surplus value, global surplus value. These inter and intra faction struggles engender various passionate and cynical political & cultural maneuverings.

This much is clear. So, to introduce concepts of oppressor and oppressed countries, super profits, right of nations to self determination, etc. as attempts to understand and analyse in fact legitimise and conceal the misanthropic intrigues of capital with a cloak of libertarian shibboleths. The growing accumulation of capital and marginalisation of simple

commodity economy translate into extreme social discontent of wage-workers and of the marginalised simple commodity producers. Riding on this wave of discontent, which is ultimately irresolvable under commodity economy, weaker factions of capital stake claims on political power to enhance their bargaining position vis-à-vis the world market. The struggles for political power which ensue take various ideological forms like nationalism, sub-nationalism, tribalism, etc.

Compelled by the dynamics of capital, the sole driving motive of all established and emerging factions of capital is a bigger and larger parcel of global produce. This is translated at the faction level into extraction of more and more surplus value at the fastest possible rate. And thus by its very nature, establishment/sustenance of independent factions of capital is antagonistically related to wage-workers' interests. Linking the struggles of weaker factions with the emancipatory project by theorizing on imperialism, neo-colonialism, and the right of nations to self determination is an unambiguous masquerade to hoodwink wage-workers and peasants & artisans. (Terms like late capitalism or post capitalism, though in vogue now-a-days, are not dealt here for they lack any political-economy basis).

"Nine out of ten casualties in modern warfare are civilians. The vast majority of its victims never wore a uniform or carried a gun. In the so-called "post-war" period since 1945, atleast 20 million people have died in over 100 conflicts. A further 60 million have been wounded, imprisoned, separated families and to flee their houses. In over 30 armed conflicts, this human misery is happening now.", International Red Cross, National Geographic, June, 1994. Around 187 wars between nation-states have been fought since the mass massacre of the period 1939-45. **The havoc that the incessant trade wars between enterprises, branches of production and national groupings play with the lives of billions is incalculable.**

The armed will of capital, the state apparatuses, play a significant role in the accumulation process. Capital in its onward march has destroyed all "outdated" institutions, anachronistic governments, social ties and knowledge systems not useful to it, and in all these its state apparatuses were the executing organs. Various kinds of state consolidations was its obvious outcome. On the other hand various factions emerged from within and without the existing state formations and contended for greater share of the global produce. Factions who grouped and re-grouped and maneuvered, competed and contended against all other emerging and established factions. From this cauldron of universal rivalry emerge various organised factions of capital, the new states with their varied legitimising ideologies. Ideologies whose prominent aim was and is to define the 'other', and to prove that killing was and is not murder when it occurred for the sake of the faction.

There is no gainsaying the fact that in history, the existence of alienated political power has always meant, to a larger or lesser extent, suppression of cultural and ethnic diversities. To struggle against this is within the libertarian project. But capital lies in ambush behind the apparent link up of cultural self-determination and establishment of state powers. Emancipation

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means spiritual self-determination of individuals, free from suppression and oppression, and free from the compulsions of necessity – a total self development in the realm of freedom. And for this the basic pre-requisite is the absorption of power from state apparatuses back into society.

There exists a very powerful current in post-Marx marxian political economy which consciously or unconsciously works for the establishment and sustenance of weaker factions of capital by taking sides in inter-faction struggles. This is theoretically made possible by shifting the focus of analysis from production and reproduction of capital and wage-workers struggles to inter-faction rivalry. Theories of imperialism, neo-colonialism, direct and indirect domination/dependence, right of nations to self determination are the obvious result. Endless debates on the definition of nationality; continuous construction, deconstruction and reconstruction of ethnic, cultural, religious, racial, regional and linguistic identities & traditions; development of synthetic history; and ruthless coercion of the working population (to keep the faction afloat in the world market) when in power, are the illustrious heritage and legacy of this powerful current. Marx's critique of political economy became marxian political economy when its premises (chiefly, the fixation with private property and erroneous stress on it in characterising capital), with the unfolding of the social process, provided the ideological peg for the envisaged state capitalist solutions to social problems.

Critique of political economy, of marxian political economy, may appear to be dry stuff, but it needs to be grappled with if a meaningful intervention in the present is intended to make a non-market, non-coercive, non-hierarchical and a free society. Humanity today may appear to be a bit dazed by reality and drowned in hopelessness. But we are not lost and shall invent if we have not unlearned how to learn.

The legacy

Marx's critique of political economy concentrated on commodities produced in factories owned by individuals. It premised its concepts and conceptual framework on the private ownership in the means of production.

The limitations of Marx's critique form neat slots in a logical flow which theoretically underpin the formation of state corporations.

If abolition of private property is the abolition of capital (as per Marx's characterisation of capital) then nationalisation can be equated with socialism. The legitimising roots of this lie quite deep. "... in this branch (alkali production, the United Alkali Trust) which forms the basis of the whole chemical industry, competition has been replaced by monopoly in England, and the road had been paved, most gratifyingly, for future expropriation by the whole of society, the nation" F. Engels, 1894 (Capital, vol. III, Part V, Chapter 27- 'The Role of Credit in Capitalist Enterprise').

If capitalism can be studied country by country as Marx does in deriving national rates of profit ("What we want to show ... is precisely the way in which a general rate of profit takes shape in any given country." K. Marx, Capital, vol. III, Part II - 'Conversion Of Profit into Average Profit' Ch 8) then "national solution" will constitute the centre stage

dispersing the global edge of wage-workers resistances & struggles.

Marx wrongly shows extended reproduction in a closed capitalist system. This erroneous understanding of the accumulation of capital removes from the theoretical purview the prime basis of the crises of capital. The global systemic crises of capital are then per force shown to be only crises of disproportionate production in different branches of production. Then planning becomes a solution to the crises of capital. World Bank, IMF and WTO like institutions are trying to do this on a global scale, whereas caricatures a la Bukharin ("State capitalism is crisisless") do it on a national scale.

Lenin's theory of "imperialism" - hides the struggles of wage-workers against capital, and instead supports and engenders the politics based on oppressor and oppressed countries i.e. politics based on state identities. This forms the ideological support for the vociferous "anti-imperialist" struggles for the formation of alternative state structures.

Together with this the politics of representation & delegation and "professional revolutionaries" provides the practical means of state-capitalist take-overs. It is not by chance that 'Capital', 'Communist Manifesto' etc. have been published and distributed in millions by state apparatuses in Russia, China, etc.

the legacy

Crises only due to innumerable individual owners causing disproportionate production in various branches of production

Concentration followed by planning removes crises

Private property and individual owners of means of production i.e the capitalists, equated with capital.

Removal of capitalists is negation of capital

Nationalisation or Statisation

Planned Production

What is to be done ?

"Workers, poor fellows condemned to work discipline, cannot on their own go beyond mere economic struggles and attain revolutionary consciousness."

"Representatives / Professional revolutionaries needed to think, decide and lead."

"Revolutionary consciousness needs to be transplanted."

"Party is the vanguard of the proletariat."

What is required is a strong disciplined iron-willed party."

The New Management
Vanguard of the proletariat controls production and makes the workers work 'the way they should'

Global competition compels increased production and productivity through
Increase in work intensity
Extension of working hours
Decrease in wage bill
Higher discipline
Efficient secret services to know resistances
Standing army and mobile police (preferably tinted red) to crush resistances
Labour camps to atone for resisting work and discipline

Realities of Commodity Economy
Interdependent global grid of market relations
Global competition
To survive compete globally

The "Communist" Corporation

"The First Stage of Communism" !!!

CONCEPT NOTES

Marx's concepts with comments

a

Commodity and Value

In all societies individuals perform some social labour for their own sustenance. In a commodity economy, labour of individuals does not directly appear as social labour. It becomes social only because it is equalised with some other labour, and this equalisation of labour is carried out by means of exchange – exchange with money.

Miners' labour and the labour of computer professionals are not the same. However, they are equalised by means of exchange i.e. different kinds of labour are equalised through the market. In exchange the concrete use values and the concrete forms of labour are completely abstracted. Thus in commodity production labour appears as abstract and socially necessary labour. It appears as human labour in general.

What is a **commodity** ?

A commodity satisfies human wants of some sort or other. The nature of such wants, whether they spring from the stomach or from fancy, makes no difference. Commodity is a thing which has :

- a) use-value i.e. an utility which is a quality, and
- b) exchange-value i.e. a quantitative relation between it and money or between it and other commodities.

- ✓ It has exchange value because a certain quantity of human labour is expended in its production, or it embodies human labour i.e. it has value.
- ✓ A thing can be a use-value without having value – whenever its utility is not due to labour, such as air, virgin soils, natural meadows etc.
- ✓ A thing can be useful and a product of human labour without being a commodity e.g. when one directly satisfies one's own wants with the produce of one's own labour or satisfies others' wants directly without the mediation of the market.
- ✓ In order to produce a commodity, one not only has to produce use-values but use-values for others – social use-values whose social usefulness is realised by means of exchange in the market.
- ✓ Lastly, nothing can have value without being an object of utility. If the thing is socially useless, so is the labour contained in it. This labour does not count as social labour and therefore creates no value. By the way, socially useful implies that the activity has utility for the perpetuation of commodity economy and so is often misanthropic.

As a general rule, articles of utility become commodities only because they are marketable products of personal and family labour or of wage-workers' labour. The sum total of the labour of all these labourers forms the aggregate labour of commodity producing society i.e. total social labour. Since the production units do not come into contact with each other until their products are exchanged, the specific social character of each producer's labour does not show itself except in the act of exchange. In other words, the labour of individuals asserts itself as a part of the

labour of society only by means of the relation which the act of exchange establishes directly between the products, and indirectly through them between the producers.

We live in a world where the relations of commodity production have not only taken control of production of goods but have also permeated our very beings. Most social relations are mediated through the logic of the market. Almost everything has an exchange value – a cost and a price. Mercifully, resistances to this exist.

b

Value and Equivalents

Value of a commodity is the socially necessary labour time required for its reproduction. Reproduction, and not production, because social production is essentially repeated production of goods wherein each new sequence of production the productivity may change. And along with it the socially necessary labour time for the creation of the product will change effecting the value of the commodity.

Exchange of commodities when termed as exchange of equivalents means that the socially necessary labour time required for the reproduction of the two commodities are equated. For example, a person expends twenty hours of labour (at average intensity) to produce a watch; another person expends ten hours of labour (at average intensity) to produce a pair of shoes, then two pairs of shoes could be exchanged for a watch. Shoes and watches are exchanged through the medium of money and market.

Money is both a measure of value and a medium of circulation.

Circulation of commodities means the continuous metamorphosis of commodities – a change of one form of value into another. A continuous process of change from commodity-form to money-form and back again to commodity-form. Circulation being just a change of form of value adds no value to the commodity.

It may appear that in circulation a seller may earn profit by arbitrarily fixing price but competition is a leveller. Arbitrary levels of price of a commodity are smoothed out and brought to an average price level which in turn is determined by the socially necessary labour time required for its reproduction.

It may also appear that competition fails to level when all producers do the same

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i.e. earn profit by arbitrarily fixing price.
But then :

a) it is forgotten that a seller is also a buyer. What one earns by selling at a higher price, one will lose while buying.

b) when all producers increase prices then the monetary proportion of prices of different commodities remains the same. The result simply is that the buying capacity of money falls. The question of adding value to the commodity does not arise.

Commodities on an average exchange at values – only in simple commodity production. In capitalist commodity production, in general they do not exchange at values. In conditions of the dominance of individual-owned production enterprises which Marx

analysed, commodities were exchanged at production prices (cost price + average rate of profit : see concept notes 'g', 'Average rate of profit and its tendency to fall', pg.41). Production price though is determined by value via average rate of profit.

In certain goods (softwares, music, books, films, seeds) in which the reproduction of the commodity does not consume much labour, the price has no relation with the labour time required for their reproduction. These goods are maintained as commodities by forcibly curtailing their reproduction. Free distribution of goods is a threat to the rationale of commodity economy and therefore attempts are made to obliterate such possibilities by ludicrous copyright acts and patent laws.

C

Production units & Managers of extraction

In a commodity economy, a production unit is constituted by production processes producing goods for the market. The production unit may involve :

a) the labour of an individual or of a family or a domestic unit (simple commodity production)

b) the labour of wage-workers (capitalist commodity production)

In case 'a' the output can be seen as $Ov + Nv$, where Ov (old value) stands for the value of the used up means of production + raw materials + other materials of production and Nv stands for the new value added. The new value here is not surplus value. New value is the materialised form of necessary labour and

surplus labour. Necessary labour is for the sustenance of the producer i.e. the domestic unit or the family. And surplus labour is divided into the merchants' margin, the usurers' return, rent, interest and taxes; and whatever remains is used for the improvement of the means of production and the well being of the producers.

In case 'b' the output can be seen as $C + V + S$, where 'C' stands for the value of the wear and tear of the means of production in the production process, raw materials and other materials of production; 'V' is equivalent to wages; and 'S' is the surplus value extracted. A part of the surplus value is used for expansion of production.

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And the rest is divided up amongst – taxes, interest, rent, profit, managerial salaries, cuts & commissions, etc. Here necessary labour takes the form of 'v' and surplus labour takes the form of surplus value 's'.

Like in all societies where surplus is extracted from the producers, the continuance of production requires the presence of disciplining authorities and state apparatus to break the resistances and to counter the struggles of producers. Disciplining institutions like schools & universities, family, media etc. repress deviant "unproductive" behaviour, impose compliance to the order of things, define & manage dreams & aspirations – and lend a timeless transcendental quality to the present. Managements, judiciary,

political institutions, prisons, military and police are all necessary elements of coercion & control to break resistance and subversion by labourers which the extraction network entails.

These institutions of discipline, coercion and control hack off huge parts of the surplus produce for their own regeneration through taxes & duties, interest, rent, profit, managerial & bureaucratic salaries and cuts & commissions. The managers of discipline, coercion and control constitute the managements of extraction (or the representatives of capital). A conservative estimate of their total share would be 85 to 90 percent of the total produce !

d

What is Surplus Value ?

Capitalist commodity production is the disciplined and coerced production for the market using wage-workers. Production units are run by managements of various hues who control the means of production (the accumulated labour) required for running the production process. Wage-workers sell their labour power, their capacity to do useful work, for a specified wage under an ubiquitous disciplining grid. The wage, the price at which

labour power is sold, is an outcome of struggles between wage-workers and the managements of extraction.

The value of a commodity, say its price, or, the value of the ability to do labour, say wage, is effected by biological, social & cultural existence and the political & historical ambience. This value is determined by the collective resistences or assertions of the labourers. What is implied is that the definition of the necessities of a labourer (basic requirements of life) are under incessant contention. In general, weaker the individual & collective resistences of the labourers, lower their value i.e. cheaper the labour power.

Labour power or the capacity to perform labour is the commodity whose potential usage possesses the unique property of being a source of value. Labour power's actual consumption is therefore in itself a process of embodiment of labour, and consequently a creation of value. The value of labour power is determined by the

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means of subsistence necessary for the maintenance of the labourer socially. It resolves into the value of a definite quantity of the means of subsistence and other socially necessary goods. It therefore, varies with the value of these goods i.e. with the quantity of labour requisite for their production. (As per Marx, wages on an average represent the value of labour power. But it may be pointed out that the reproduction of wage-workers is also supported from within simple commodity production. Children of peasants and artisans become wage-workers. Wage-workers often continue as members of peasants' and artisans' families. Therefore, the wages do often represent a lesser amount than the value of labour power. This was important throughout the world and is still important in large areas. It also needs to be added that the term value of labour power has undergone drastic changes in social meaning with the increasing number of women wage-workers. Man's wage is no longer the family wage. Even with shrinking size of domestic unit, reproduction of labour power requires wage-work by both man & woman.)

Be as it may, the value of labour power and the value which the labour power creates in the labour process are two different magnitudes. Labour power is the source not only of value but of more value than that it has itself. Wage-workers produce far more products for exchange than the amount represented by their wages. This extra materialised labour extracted out of labourers is known as surplus value. In capitalist commodity economy there exist no other means of profit than the extraction and realisation

(through sale) of surplus value. (But other social formations exist beside capitalist commodity production. Outright loot of non-commodity economies has been a hallmark of capitalism. It continually appropriates a part of the new value of the simple commodity producers through taxations and interest payments. In addition to a part of their new value, capitalism continuously gobbles up their means of production like land, water and labour power.)

Output of a commodity producing unit using wage labour can be put as $c + v + s$, where 'c' is the value equivalent of the used up raw material and other materials of production plus the wear and tear of the means of production during the production process; 'v' is the value of labour power which is equivalent to the wage; and 's' is the surplus value. Surplus value can be increased by increasing the working day, increasing work intensity, lowering the wage and by increasing the productivity.

If wage is represented by 'v' and 's' is the surplus value, then $(s \div v) \times 100$ { i.e. (surplus labour \div labour equivalent to wage) $\times 100$ } is termed as the **rate of exploitation**. This rate has undoubtedly crossed the 5000 mark in the present, which can be verified by going through the balance sheet of any enterprise. In actual terms it means : out of an eight hour shift, 8 to 10 minutes work is sufficient to produce goods equivalent to the wage, and the rest is all extraction of surplus labour by the managements of extraction.

The politics of Wage and Time bargain

Wage is a continuous and tenuous imposition on the wage worker. So is the duration and intensity of labour. Two forces are constantly pitted against each other in determining two things:

One, the share of the produce that the wage-worker receives.

Two, the level of exhaustion and depletion which the worker is forced to undergo.

What are these two forces?

On one side is the force of a multipronged machinery of coercion, control and discipline to monitor and expand the network of surplus value extraction. The axial components of this machinery are :



- a) Management – which looks after the day to day supervision and control of production and extraction, and devises further methods of intensification.
- b) Police – which is responsible for the day to day supervision of the home-workplace-marketplace grid. It also provides routine protection to the management.
- c) Legal Apparatus – which lays down the paradigm of legality-illegality to define wage-workers' actions and subsequent repression.
- d) The representatives – who attempt to channelise the anger and grievances of

wage-workers so as to perpetuate the rule of hierarchies and extraction. Representation works by the method of delegation of power and is very central to the rule of the market economy .

- e) Mass media – which defines what is desirable, or disruptive, by systematic control of perspectives with which to view events.
- f) State – anchored on standing army, its essence is repression with or without a camouflage of arbitration. Also asserts control over the flexibility of the wage i.e. purchasing capacity of the wage. Its functions of surveillance and control are routine.

The contending force is the wage-workers' individual and collective strength to resist and subvert the machinery of control. The outcome of incessant struggles over work intensity, working time, working day, working conditions and living conditions **determines** the average socially necessary labour time for the reproduction of a good by **effecting** labour productivity.

A strong assertion of individual and collective defiances of wage-workers will result in a lowering of the productivity of labour. Lower will be the exhaustion, depletion and distress.

- | | | |
|---|---|-----------------------------------|
|  | Higher discipline and control | → higher labour productivity |
| | | → higher exhaustion and depletion |
|  | Greater individual & collective resistances by wage-workers | → lower labour productivity |
| | | → lower distress |

Law of Value

Every society is a system of distributed labour i.e. labour allocated in various branches of production to fulfill the existing social requirements. In commodity economy, market is the mechanism through which distribution of social labour among the various branches, corresponding to the given state of productive forces, takes place. Law of value is the theorisation of the market mechanism.

All the different kinds of labour which are carried on independently of each other are continuously reduced to the quantitative proportion in which the existing hierarchical society requires them. In the midst of all the accidental and ever fluctuating exchange relations (purchases and sales) between the products, the labour time socially necessary for their reproduction forcibly asserts itself. The commodity producing unit makes products for sale i.e. for the market, which today encompasses the whole world.

Before the emergence of capitalist commodity production, in conditions of **simple commodity production**, at equilibrium the exchange of different commodities is according to the socially necessary labour time required for their reproduction i.e. at their values. The average prices of products are proportional to their value. In other words, value represents that average level around which market prices fluctuate, and with which the prices would coincide if social labour were proportionally distributed among the various branches of production as per the prevailing

productivity of labour and market requirements.

Commodity economy is constantly in a state of dynamic disequilibrium. Overproduction leads to a fall in price below value and underproduction has the reverse effect. These lead to contraction of production in the former and expansion in the latter case. Deviation in market prices from values is the mechanism by which over-production and underproduction is removed. Any change in productivity of labour changes the socially necessary labour required for the reproduction of the commodity i.e. the value changes and this changes the distribution of labour by transfer of labour and resources between branches of production. Thus far simple commodity economy.

Capitalist commodity production is production for the market using wage-workers. In conditions of the dominance of individual-owned production enterprises, analysed and focused on by Marx, the exchange of commodities is in general **not** according to their values but according to their price of production, which is their cost of production plus average profit. Price of production is derived from value but is in general not equal to value. This is because the organic composition (C:v) of capital is different in different branches of production. This in turn would lead to different rates of profit ($s/[C+v]$) in different branches but an average rate of profit is arrived at (see concept notes, g 'Average rate of profit', pg. 41). This process of formation of average rate of profit does not allow commodities in general, to be exchanged at their values.

The price of production performs the same social function which the market price determined by labour expenditure performs in conditions of simple commodity economy. **Average rate of profit** is the total social surplus value divided by the total capital or the total social investment. Any increase in productivity in any branch of production would lead to an increase in profit from the average, and that would engender a redistribution of investments till profits are again equalised. And through this transfer of investments, distribution and redistribution of labour and resources take place. The distribution of social labour is

influenced by the distribution of investments through price of production. The productivity of labour influences the price of production through value.

Marx explicitly removed joint-stock production enterprises in deriving the average rate of profit. Marx focused on the operation of the theory of value in the dominance of individual-owned factories for whom the rate of profit was decisive. How the conceptualisation of the theory of value can operate in the present, i.e during the domination of stock, limited, and state enterprises has to be worked out.

g

Average rate of profit and its tendency to fall

The value of a commodity produced by a capitalist enterprise is equal to $c + v + s$, where 'c' is equal to the materials of production and the wear and tear of instruments of production, 'v' is the wage paid to workers in the production process, and 's' is the surplus value (i.e. unpaid labour) extracted. $c + v$ is termed as the cost of production. Total instruments of production (not just the wear and tear) and materials of production, say, is represented by 'C'. Rate of profit 'p' of an individual-owned capitalist enterprise then is equal to $s/(C+v)$.

C:v is termed as the organic composition of capital. In general, keeping the intensity of labour constant, lower the organic composition higher is the surplus value produced per unit investment, and therefore higher is the rate of profit.

Different rates of profit in different

enterprises would lead to mobility of capital to the branches with higher rates of profit. But mobility is constrained by social requirements which stress themselves through fluctuations in the market. Aside from nonessential, incidental and mutually corresponding differences, differences in the average rate of profit in the various branches of industry do not exist for long in reality, and could not exist without destabilising the system of individual owner based capitalist production. Competition and mobility of capital leads to the formation of an average rate of profit – equal profit for equal investment. The average rate of profit is not a simple but a weighted average. This depends on the relative magnitude of capital invested, 'C', in each particular sphere (individual-owned), or on the aliquot part which the capital invested in each particular sphere forms in the average social capital.

$$\text{Therefore, average rate of profit} = \frac{(C_1+v_1) \times p_1 + (C_2+v_2) \times p_2 + \dots + (C_n+v_n) \times p_n}{(C_1+v_1) + (C_2+v_2) + \dots + (C_n+v_n)}$$

where 'n' is the total number of individual-owned capitalist enterprises and C_i , v_i and p_i (i ranges from 1 to n) are the C, v and p of each individual-owned capitalist enterprise.

It must be pointed out that Marx excluded stock companies (like railways) from the schema of the formation of average rate of profit.

Cost price + average rate of profit on the total investment is termed as price of production.

The direct interest taken by the capitalist of any individual sphere of production is confined to making an extra gain, a profit exceeding the average – by reducing the cost price. This leads to increase in productivity. Increase in productivity means that the same quantum of labour

yields, in a given time, a greater quantum of product. This is brought about by either increasing the intensity of labour or by increasing the scale of production by using more and more of labour saving machinery. This means increase in 'C' relative to 'v' and 's'. With the increase in 'C' the rate of profit falls. The social generalisation of this process leads to the tendency of the average rate of profit to fall.

This tendency for Marx was 'the law' which posited objective limits to capitalism.

h

The accumulation of capital : problem & solution

It is assumed that there is one mode of production i.e. the capitalist mode of production and there are two classes, one the wage-workers and the other, the capitalists & their hangers-on [what Marx termed as hangers-on would today include bureaucrats, politicians, supervisors, managers, professors, technocrats, lawyers, judges, etc.]. The problem is studied by considering production in specified time periods, each one being called a cycle.

The product of total global capital in a cycle may be considered as $C + V + S$, where 'C' is the value of the machinery (the wear and tear) and raw materials

used up during production process (which here is the global sum of all production exploiting wage-workers), 'V' the variable capital, is the value equivalent of the total wage paid to workers in the total production process, and 'S' is the total global surplus value (i.e. unpaid labour) extracted.

If the next cycle of production is on the same scale i.e. if **simple reproduction** is to take place, then 'C' replaces the used up machinery and raw materials, 'V' is equal to the goods to be consumed by wage workers i.e. equivalent to the total wages, and 'S' is consumer goods, instruments of

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offense and defense and luxury and ideological goods consumed by the representatives of capital.

But if the next cycle of production is to expand i.e. extended reproduction is to take place then a part of the total global surplus value 'S' is not to be consumed but accumulated. The proceeds of its sale have to be used for buying materials and labour to extend production.

This realisation of surplus value to be accumulated is the problem which Marx's critique could not grapple with. Workers can only realise the variable capital 'V'; and the representatives of capital amongst themselves can realise only that part of the constant capital which will be used up 'C' and the part of the surplus value which will be consumed. The workers and representatives of capital cannot possibly realise that part of the surplus value which is to be capitalised i.e. accumulated. For the workers cannot possibly consume more than what they get as wages, 'V', and the representatives of capital would not consume all of the surplus value extracted for they need to sell it and extend production.

Therefore the realisation of the surplus value for the purpose of accumulation is an impossible task for a closed capitalist society i.e. a society which has only the capitalist mode of production. There has

to be a strata of buyers outside capitalist society i.e. other commodity producers which Marx had already abstracted off.

One only has to analyse the history of commodity production and the production of commodities by peasants and artisans to recognise that there exists a huge strata of non-capitalist commodity producers who produce goods for the market using personal and family labour (without the use of wage-labour).

Capitalist production supplies consumer goods over and above its own requirements (the purchasing power of its workers and the demand of the representatives of capital), and means of production in excess of its own demand which are bought by non-capitalist strata. And through these transactions a part of surplus value is realised. This makes possible accumulation and extension of production of global capital.

Surplus value to be accumulated is realised outside capitalist commodity production, either mediately or immediately. One sector of production may directly realise surplus value by selling its products to simple commodity producers and with the ensuing expansion of production other sectors realise their surplus values in the purchases and sales within the capitalist mode.

A brief note on our background

For more than ten years now, our activities have been anchored by the publication of a monthly newspaper in Hindi language (*Faridabad Majdoor Samachar* – FMS) and its distribution amongst wage-workers in Faridabad – a major industrial centre just south of Delhi. There are more than 300,000 factory workers working in factories covering all the major branches of production, transportation & service industries with their up-to-date technologies and techniques of control. Besides these, there are a large number of ancillaries and small workshops.

Our experience of wage-work and interactions, dialogues, debates & conversations with wage-workers at a wider level form the core material of the newspaper. During this process many changes have occurred in our premises, conceptions, understandings and activities. Also, significantly we have at times failed and at times refused to form formal organisations. The resulting absence of positional and structural constraints has provided us immense flexibility & freedom for critical evaluation of experiences & conceptual frameworks and to evolve different modes of activities.

Initially, the newspaper (1000 copies) concerned itself with big unifocal struggles (mobilisation of workers as a unified entity on the basis of a factory or a branch of production around a charter of demands), critique of unions, alternative strategies for the

effectiveness of unifocal struggles; and exemplary big collective struggles waged by workers without leaders in different parts of the world. Information about such struggles was and is rare. FMS also preach-taught critiques of nations, electoral politics, standing armies, reforms, patriarchy etc. Different aspects of commodity economy and their histories were also regularly served.

Attempts at formation of non-hierarchical workers' groups through meetings and study circles were tried but failed. Participation and acquaintance with significant unifocal struggles forced upon us the realisation of the counter-productive nature of unifocal struggles which wage-workers at large are well aware of. This forced us to critically evaluate our understanding of resistances and struggles.

During this period, the lukewarm response of workers to our book containing five years of material from FMS made it imperative for us to question the foundations of the preach-teach project. The use of dominant terminologies prevalent in representational politics, font size-length of a write-up – thickness of the book, pricing – confusion between dissemination and selling, etc. were what we understand to be the reasons for the failure.

From 1994 there was a shift. FMS circulation varied between 4 to 10 thousand copies and moved towards

free distribution. The concerns were big collective struggles to pre-empt unions & managements machinations, constant critiques of hidden agendas of agreements, lockouts, strikes etc. Letters from wage-workers became a regular feature. Response to the paper became vibrant. Preach-teach was consciously eschewed making possible an exploration of different forms of presentation and writing.

For the past two & a half years FMS circulation has stabilised at 5000 copies and further shifts occurred in our theoretical and practical activities. The stress has shifted to small everyday resistances and struggles that wage-workers wage without leaders-representatives-middlepersons. These struggles are innumerable and occur at all points & at all times by individuals & small groups of wage-workers. What we realise is that hierarchies constantly erase the memory of these struggles and motivatedly downplay their importance. These everyday anti-work, anti-productivity, anti-discipline faceless struggles have termite-like capacity to eat away the scaffoldings of hierarchies. The resultant situation could be a termitic revelry-tion!

These small struggles seem to have the capacity to create new forms of organised activity and resistance that will not allow the collective strength of wage-workers to get abducted by different unities. These struggles have their particular dynamics and momentum which have to be recognized, analysed, disseminated and tried-out in wider arenas. Our primary activity is to engender newer practices based on these small struggles and open up debate amongst wage-workers regarding their importance in the

present and potential for a non-coercive, non-hierarchical and non-market future.

A corollary of recognising the importance of small steps that wage-workers take on their own is to counter concepts, ideas & activities which are barriers to their recognition and spread. Critiques of progress, development, productivity, representation & delegation, heroism, bravery, knowledge industry, martyrdom, sacrifice etc. are now our main concerns. We also critique and attempt to pre-empt management strategies of work intensifications & control mechanisms. Our publications, '*a ballad against work*' and '*Reflections on Marx's critique of political economy*' are a reflection of these pre-occupations.

Besides the circulation of FMS in Faridabad, we have also been distributing around 300 copies to some individuals & groups in other places in India. Parallel to our activities around the paper, we have been in touch (through correspondence and publications) with various individuals & groups in different parts of the world. These interactions have opened new terrains of questioning and brought forth new perspectives to evaluate our experiences. But our attempts to open up issues regarding some of the underlying premises of political economy to understand the present reality have not found much echo.

Individually most of us have passed through authoritarian hierarchical currents prevalent in the left fringe. These experiences have acquainted us with the premises and methods of these structures and forced us to raise questions about them.

