

SESSION ELEVEN

Reading Assignment: Pages 618-670

First Speaker: The Production of relative and absolute surplus value.
Second Speaker: Time Wages.
Third Speaker: Piece Wages.

(Make necessary corrections)

The Accumulation of Capital

The conversion of money into means of production and labor-power is the first step in the different functions of capital. This takes place on the market, within the sphere of circulation. The second step is the production of commodities which contain the advanced original capital, plus a surplus value. These commodities must be thrown into circulation. Their value must be realized in money. This money must be converted into capital, etc. Such movement forms the circulation of capital.

So the first condition of accumulation is that the capitalist gets rid of his commodities, receives more money than he at first invested and then continues production with more capital.

In the interest of a better understanding of the process of accumulation we assume that the process of circulation is "normal", that means the capitalist gets always rid of his commodities, and this is assurance that there is no disturbance in the sphere of circulation.

Question: Is this so in reality?

No. In volume 2 Marx deals with all the different possibilities in the sphere of circulation.

But to find out whether the real difficulties of capitalism are to be found in the sphere of circulation we dismiss theoretically this difficulty. We want to find out whether capital could harmoniously advance if the problems of circulation would not exist.

Later on, we take up all questions concerning circulation.

During this analysis we assume that the circulation is "normal" and that, outside of the proletariat there are only capitalists in the world.

Question: Is this so? No, it is not. Even if the capitalists

extract surplus labor from the workers, even if the capitalist is his first appropriator, he is by no means the ultimate owner of this surplus value. He has to share with other capitalists, with landowners, etc. who fulfill other functions in the complex system of production. Surplus value splits up into various parts. Its fragments fall into different categories and have various forms, such as profit, interest, merchants' profit, rent, etc. In Volume 3 Marx deals with this subject.

But we are trying to find the inner law of capitalism, which on the surface we cannot see in operation but which is nevertheless of great importance. So we abstract from all these differentiations and try to take up capital accumulation in its essential form, not disturbed by side-tracking influences but "normal", ideal.

We treat the capitalists as the owners of all the surplus value. We look at a theoretical world of only workers and capitalists. By so doing we do not get a picture of reality. However, we do get an understanding of the inner laws of capitalist production which determine the reality.

Marx said, (page 619), "So far as accumulation takes place, the capitalist must have succeeded in selling his commodities, and reconverting the sale money into capital. The breaking up of surplus value into fragments neither alters its nature nor the condition under which it becomes an element of accumulation. We therefore assume no more than what actually takes place. The simple fundamental form of the process of accumulation is obscured by the incident of the circulation which brings it about, and by the splitting up of surplus value. An exact analysis of the process, therefore, demands that we should, for a time, disregard all phenomena that hide the play of its inner mechanism."

Simple Reproduction

Whatever the form of the process of production in a society, it must be a continuous process.

Marx wrote, "A society can no more cease to produce than it can cease to consume."

Therefore, looking at society as a whole, every social process of production must be at the same time a process of reproduction.

What is consumed in raw material and machinery must be replaced in order to use it once more.

If you use up 2 million pounds of cotton and 10,000 spindles (looms) in order to have enough clothes; you have enough clothes for a time but must reproduce this cotton and spindles for new clothes when the old ones are worn out.

If production is a capitalistic one, so must be reproduction.

If \$100 have brought a capitalist \$20 surplus value in a process of production, so in order to get again \$20 surplus value he has to invest \$100 again.

If a capitalist does this over and over again, getting all the time \$20 surplus, this surplus is to him a steady revenue.

If he consumes the \$20 each time, then we have what Marx calls simple reproduction.

The purchase of labor-power for a fixed period is the prelude to the process of production.

But the laborer is not paid until after he has expended his labor-power, and realized in commodities not only its value but surplus value.

So the worker has not only produced surplus value but also the fund out of which he himself is paid, the variable capital. His employment lasts only so long as he continues to reproduce this fund.

What the worker gets back in wages is a portion of the product that is already produced by him.

If you take the whole working class and the whole capitalist class, you see at once that the capitalists are constantly giving to the workers wages in the form of money which in reality is only a portion of the commodities produced by the workers and appropriated by the capitalists.

The workers give the money back to the capitalists and in this way get their share of their own product.

This simple transaction is veiled by the commodity-form of the product and the money-form of the commodity.

This process eliminates the idea that the workers cannot buy more because the wages are so low. Capitalists are not interested in the worker buying less more, but just the opposite. An individual capitalist interested in the production of consumption goods for the working class, is, as an individual, interested in higher wages for the workers (not for his own workers) in order to faster accumulate, as an individual. A capitalist who only sells diamonds is interested in very low wages in order to make his capitalist customer spend more money on his commodity--diamonds.

But considering the capitalist class as a whole, these differences in opinion vanish at once.

The less the commodities, or money, the worker gets, the more the capitalist has. The capitalist is interested only in his own share. The workers represent to him no market, but people for whom he feels sorry and who must eat.

Capitalism is only interested in surplus value. Surplus labor can only be gained by shortening the necessary labor-time or lengthening the surplus labor-time. Both ways have one effect on the workers-- cutting from their own share of the product they produce. The worker never gets more than he needs for his reproduction, so the capitalist class as a whole cannot think to let him buy back more.

Variable capital is only a particular historical form of appearance of the fund for providing the necessities of life to the workers.

Surplus labor is always the same, only its form changes.

Consider a peasant who has enough land to provide by working on it during 3 days a week for himself. The rest of the week he works for the feudal lord. Now if the feudal lord takes the land from the peasant, and the peasant is working the whole week for the lord, that does not alter the fact that he still has to work three days for himself. So it was with the slave. So it is with the worker.

Marx (P. 627) "The maintenance and reproduction of the working class is and must ever be, a necessary condition to the reproduction of capital."

~~But the capitalist may safely leave its fulfillment to the laborers' instinct of self-preservation. All the capitalist cares for is to reduce the laborers' individual consumption to what is strictly necessary.~~

Capitalist production must be a continuous connected process, a process of reproduction, producing not only commodities and surplus value, but producing and reproducing the capitalistic relation-- on the one hand the capitalist, on the other the wage worker.

Reproduction must lead to accumulation in capitalism, even if it would start out with simple reproduction.

A capital of \$1000 makes yearly \$200 surplus value. If this surplus value would be consumed every year then in 5 years the surplus value consumed would be 5 times \$200 or \$1000, equal with the capital advanced by the capitalist.

If only a part, say \$100 would be consumed, then at the end of 10 years 10 times \$100 would be equal to the capital of \$1000.

Production would have come to an end.

Of course the capitalist would still have the machinery, the \$1000 actual capital, the material things. But we are dealing with value. The machinery would have no more value, it would be out of date.

When a person "gets through" with all of his property, by taking upon himself debts equal to the value of that property, it is clear that his property represents nothing but the sum total of his debts.

Therefore, simple reproduction sooner or later, converts every capitalist into an individual who accumulates capital; it converts every capital into accumulated capital, or capitalized surplus value.

Conversion of surplus value into capital.

Up to this point we have found out how capital produces surplus value. Now we will see how surplus value becomes capital.

Employing surplus value as capital, reconverting it into capital, is called Accumulation of capital.

What is accumulation? Let us consider it from the standpoint of an individual capitalist.

Suppose a spinning factory, for example, has a capital of \$10,000.

Constant \$8000 ---- Variable \$2000

Production: 240,000 pounds of yarn yearly which has a value of \$12,000. The rate of surplus value 100%. The capitalist put in \$10,000. His production brings him \$12,000 or 240,000 pounds of cotton. Then his surplus is 40,000 pounds of cotton which costs \$2000. This \$2000 surplus value converted into new capital would mean that the capitalist will add to it 4/5 or 11,200 to the constant capital and 1/5 to wages. Then this new \$2000 bring in a surplus value of \$400.

To accumulate, it is necessary to convert a portion of the surplus product into capital.

Consequently a part of the annual surplus labor must have been applied to the production of additional means of production and subsistence, over and above the quantity of these things required to replace the capital advanced. Surplus value can only become capital because the surplus product already comprises the material elements of new capital.

In order to illustrate the actual function of surplus value as capital, we will consider a simple case of accumulation.

If the exploitation of the existing workers does not increase, then, additional labor power must be found.

The mechanism of capitalist production needs not only a class dependent on wages but also for its increase.

It is only necessary for capital to incorporate this additional labor with the surplus means of production and the conversion of surplus value into capital, and the accumulation is complete.

Accumulation resolves itself into the reproduction of capital on a progressively increasing scale. The circle in which simple reproduction moves alters its form, it changes into a spiral.

If we forget for a moment that the capitalist eats, and this fact does not change our system in any way, then we see that if a surplus of \$2000 were capitalized and brought \$400, this \$400 capitalized would bring \$80, and so on.

The original capital we started out with was \$10,000. How did the capitalist get this \$10,000?

"By his own and the labor of his forefathers" will the capitalist say. This is not so. Can he say the same about the additional \$2000 -- \$400 -- \$80, and so on? No. In both instances he could not say so.

Later, by primitive accumulation, we will see how the capitalist gets started; he, as Marx put it "is like the conqueror who buys commodities from the conquered with the money he has robbed them".

But by the additional capital we can clearly see that it is made up of unpaid labor: by robbing the workers of their products.

This is what is called "creating capital out of capital".

The original transformation of money into capital has the following results:

- 1) The product belongs to the capitalist, not to the laborer.
- 2) The value of this product comprises a surplus value which has cost the worker labor power but the capitalist nothing, yet it becomes lawful property of the capitalist.
- 3) The laborer has reproduced his labor power and can sell it once more, if he finds a buyer for it.

The production of commodities has not in itself upon the whole society until wage labor becomes its basis, and only then does it unfold all its powers. To say that the intervention of wage labor adulterates the production of commodities is to say that the production of commodities must not develop.

Even in the case of simple reproduction all capital, whatever its original source, becomes transformed into accumulated capital.

First we assumed that the capitalist (simple reproduction) consumes all the surplus value himself. Then we said that the capitalist does not consume at all but, instead, capitalizes the whole of the surplus value. Both things, however, do not take place. The capitalist is doing both things at the same time. He eats from the surplus and he capitalizes a part of the surplus value. In order to eat more than before he accumulated the surplus value.

Therefore, with a given mass of surplus value, the larger one of these parts, the smaller the other. If the capitalist eats much, he can accumulate less and vice versa. The part of the surplus value that he does not eat is "saved" by him.

Marx: "Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake. He thus forces the development of the productive forces of society and creates those material conditions which alone can form the real basis for a higher form of society, a society in which the full and free development of every individual forms the ruling principle."

The development of capitalist production makes it constantly necessary to keep increasing the amount of the capital laid out in a given industrial undertaking, and competition makes the eminent laws of capitalist production to be felt by each individual capitalist as external laws. It compels him to keep constantly extending his capital in order to preserve it, but the only way of extension is by means of progressive accumulation.

The proportion in which surplus value breaks up into capital and revenue, the magnitude of the accumulated capital depends clearly on the absolute magnitude of the surplus value.

Suppose that 80% were capitalized and 20% eaten up, the accumulated capital will be \$2400 by a total surplus of 3000, and 1200 with a total surplus of 1500.

Thus the constant tendency of capital is to force the cost of labor back towards zero. (Remember: The rate of surplus value depends on the rate of exploitation).

Therefore, a very important factor in the accumulation of capital is the degree of the productivity of labor, the degree of exploitation.

With the productive power of labor the mass of products increases in which a certain value, and therefore a surplus value of a given magnitude is incorporated.

The rate of surplus value remaining the same or even falling, so long as it only falls more slowly than the productive power of labor rises, the mass of the surplus product increases. Then the consumption of the capitalist may increase without a decreasing fund of accumulation.

But hand in hand with the increasing productivity of labor goes the cheapening of the labor and by that a higher rate of surplus value.

Then the same value in variable capital sets in motion more labor-power. The same value in constant capital is then embodied in more means of production, in more instruments of labor, etc. It therefore supplies more elements for the production of both use value and value.

In this case then, the value of the additional capital remaining the same or even decreasing, accelerated accumulation still takes place. Not only does the scale of reproduction materially extend, but the production of surplus value increases more rapidly than the value of the additional capital.

Generally it can be said that "with a given degree of exploitation of labor-power, the mass of the surplus value produced is determined by the number of workers simultaneously exploited; and this corresponds, although in varying proportions, with the magnitude of the capital."

Therefore, the more capital increases by means of successive accumulation, the more does the sum of value increase that is divided into consumption fund and accumulation fund. The capitalist can therefore live a more jolly life and at the same time show more abstinence. And, finally, all the springs of production act with greater elasticity the more its scale extends with the mass of the capital advanced.

What effect has this accumulation process on the workers?

Marx said (Page 671) that the most important factor in this inquiry is the composition of capital.

The composition of capital is to be understood in a twofold sense.

1st. On the side of value it is determined by the proportion in which it is divided into constant capital, or value of the means of production and variable capital, or value of labor-power, the sum total of the wages.

2nd. On the other side of material, as it functions in the process of production, all capital is divided into means of production and living labor-power. This composition is determined by the relation between the mass of the means of production employed, and the mass of labor necessary for their employment.

The 1st Marx calls Value Composition and the 2nd Technical Composition.

Between these two there is a strict correlation. To express this, Marx calls the value composition, insofar as it is

determined by its technical composition and mirrors the changes of the latter, the organic composition of capital.

The many individual capitals invested in a particular branch of production have, one with the other, more or less different compositions. The average of their individual composition gives us the composition of the total capital in this branch of industry. Lastly, the average of these averages in all branches of production, gives us the composition of the total social capital of a country and with this alone we are now concerned.

Growth of capital involves growth of its variable constituents.

A part of the surplus value turned into additional capital must always be retransformed into variable capital

If the composition of capital remains the same, that means that a definite mass of means of production constantly needs the same mass of labor-power to set in motion, then the demand for labor increases in the same proportion as capital. And the more rapidly, the quicker the capital increases.

With the opening of new markets, (Marx calls this special stimulus to enrichment) or new spheres for the outlay of capital, newly developed social wants, capital on a progressive scale, means also more or larger capitalists on one side, more wage workers on the other.

Accumulation of capital is therefore an increase of the proletariat.

Reading assignment:

Pages 671-783

Speakers' assignments:

- 1) Simple reproduction.
- 2) Conversion of surplus value into capital.
- 3) Productivity of labor and accumulation.

SESSION TWELVE

Reading Assignment Pages 671-783

- 1st Speaker: Simple Reproduction.
- 2nd Speaker: Conversion of surplus value into capital.
- 3rd Speaker: Productivity of labor and accumulation.

Refer to the study of Session Ten.

The General Law of Capitalist Accumulation.

Under special stimulus enrichment (new markets, etc.) it might be possible that the demand for labor is greater than the supply. Then a rise in wages can take place. Marx: "A rise in the price of labor, as a consequence of accumulation of capital, only means in fact, that the length and weight of the golden chain the wage worker has already forged for himself allows a relaxation of the tension of it." (Page 677). But this does not alter the general tendency of accumulation.

Production of surplus value is the absolute law of this mode of production. Labor-power is only saleable so far as it preserves the means of production in their capacity of capital, reproduces its own value as capital and yields unpaid labor as a source of additional capital.

The rise of wages would never reach a point at which it would threaten the system itself.

The same mechanism which makes wages rise brings them down again. When they endanger profits, accumulation stops, and wages must fall again.

The rate of accumulation is the independent variable; the rate of wages the dependent variable. (P. 679).

During a crisis the price of commodities falls and the value of money rises. In prosperity the price of commodities goes up and the value of money sinks. The bourgeoisie then explains: "With high prices, too little; with low prices, too much money is in circulation." In the same manner they explain the wage rates with too many or not enough workers.

But the law of capitalist production is at the bottom of the law of population.

The correlation between accumulation of capital and the rate of wages is nothing else than the correlation between the unpaid labor transformed into capital and the additional

paid labor for the setting in motion of this additional capital.

It cannot be otherwise. As in religion man is governed by the products of his own brain, so in capitalist production he is governed by the products of his own hand.

According to Marx the development of the productive power is the motor of the historical development.

With the new productive powers the people change their mode of production and with it the way and means of making their living.

Capitalism, more than any other mode of production before it, (on account of the value relation) develops the productive power. This is why capitalism was necessary and a fast step forward in the emancipation of the human race.

The development of the productive power is reflected in the technical composition of capital, or in the growth of the means of production. This again is reflected in the value composition by the increase of the constant capital at the expense of the variable.

If there was once 50% constant and 50% variable it will in the course of accumulation change to 80 constant and 20 variable, or to even greater disproportion.

If a spinning factory around the year 1800 had $1/2$ constant and $1/2$ variable it may have today $7/8$ constant and $1/8$ variable; but at the same time the mass of raw material, the mass of labor, mass of commodities is many hundred times larger than in 1800:

With the increasing productivity of labor-power, not only does the mass of the means of production, consumed by it, increase, but the value compared with the mass diminishes. The value therefore rises absolutely, but not in proportion to the mass.

(Blackboard)

| | | | | |
|--------------------------|-----|--------|-------------|--------------|
| Constant capital - Value | 500 | mass - | 10 machines | |
| " | " | 2500 | " | 100 machines |

The mass is 10 times developed, but the value only 5 times.

The increase in the difference between constant and variable capital is therefore much less than that of the difference between the mass of the means of production into which the constant and the mass of labor-power into which the variable capital is converted. The former difference increases with the latter, but in a smaller degree.

(Blackboard)

| | | | | |
|------------------|------|------|------------------|------|
| Constant Capital | 50 | 6000 | Variable Capital | 50 |
| | 3000 | -- | | 3000 |

| | | | | |
|------------------|-------|-------|------------------|------|
| Constant Capital | 80 | 18000 | Variable Capital | 20 |
| | 14400 | -- | | 3600 |

To increase 3000 to 3600 variable, it was necessary to raise the original capital under this new organic composition 3 times. A 20% increase of the variable capital makes a 300% increase of the total necessary.

The development of the productive power is necessary. Marx, P. 685: "With the accumulation of capital, the specific mode of production develops and with the capitalist mode of production accumulation of capital. Both these economic factors bring about that change in the technical composition of capital by which the variable constituent becomes always smaller as compared with the constant."

Every accumulation becomes the means of new accumulation. With the accumulation of capital so the number of capitalists increase.

With the increasing mass of wealth which functions as capital, accumulation increases the concentration of this wealth in the hands of individual capitalists, and so widens the basis of production on a large scale. The growth of capital is effected by the growth of many individual capitalists.

The battle of competition is fought by cheapening of commodities. The cheapness depends on the productivity of labor. And this again on the scale of production. So the larger capitalist can beat the smaller one.

Credit becomes a powerful weapon in the struggle of competition.

This again opens new spheres for new capitalists. So concentration and centralization goes on in hand; but at the same time the bigger capitalists defeat the smaller ones.

Centralization in a certain line of industry would have reached its extreme limits if all the individual capitals invested in it would have been amalgamated into one single capital. (Page 682).

Centralization supplements the work of accumulation by

enabling the industrial capitalists to expand the scale of their production.

The economic result is always the same, even in State Capitalism: Centralization intensifies the accumulation.

The technological composition which mirrors the organic composition takes place in this way as far as constant and variable capital are concerned.

If it was originally like- 1 - - 1, it will become:

2 - 1, 3 - 1, 4 - 1, 5 - 1, 6 - 1, etc.

So that when the capital increases, not more than $1/2$ but $1/3$, $1/8$, etc. it is transformed into labor-power; and $2/3$, $7/8$, etc. into means of production.

By this a surplus labor population is a necessary product of capitalist accumulation. It is the law of population peculiar to the capitalist mode of production. (An abstract law of population exists for plants and animals only, and only insofar as man has not interfered with nature).

This surplus population becomes at the same time a necessity for capitalism. It forms the industrial reserve army for the changing needs of the self-expansion of capital, a mass of human material always ready for exploitation. The cyclical character of production depends also on the existence of an industrial reserve army.

~~In the childhood of capitalism the composition of capital changed slowly, and as a result there was a steadily growing demand for laborers. This tendency increases with faster accumulation and higher organic composition.~~

In this state, the general movements of wages are exclusively regulated by the expansion and contraction of the industrial reserve army, and this again corresponds with the periodic changes of the industrial cycle.

Read Marx, Page 707. "The greater the social wealth..... concern us here."

Read Page 708. "The law.....own self expansion."

Read Pages 708-9 "But all methods....in the form of capital."

Reading assignment: Pages 784 to the end.

Speakers Assignments: 1) Organic Composition of Capital.
2) The Industrial Reserve Army.
3) Accumulation.

SESSION
THIRTEEN

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CONCLUDING SESSION

Reading Assignment: Pages 784 to the end.

Speakers' Assignments: 1st, Organic Composition of Capital.
2nd, The Industrial Reserve Army.
3rd, Accumulation.

RECAPULATE

Technical Composition; Value Composition; Organic Composition.

We have dealt with "Social Capital" - one capitalist, with only labor at the other pole.

Development of the organic composition is first a natural process of the development of the productive powers of society.

It has a value character in capitalism and this is the reason why it develops so fast.

It cannot develop in regard to the necessities of mankind but in regard to the necessities of producing surplus value; in other words, accumulation.

When it comes in conflict with this historical form (capitalism, -- value form) of the mode of production, then a new society must free the productive powers from this chain.

Accumulation: Conversion of surplus value into capital.

With the accumulation of capital the accumulation of the workers goes hand in hand.

The accumulation of workers is necessary for accumulation. But at the same time, due to the organic composition, in relation to the total capital the workers become less. The creation of a surplus population is the result.

The reserve army is necessary, first to have the workers ready for the creation of new spheres of production and, second, to check the wages of the workers.

The theory of supply and demand on the labor market. The industrial reserve army is the law of population in capitalism.

Explain the limitation of the wage movement. When can the wages rise and how far can they rise, and what brings them

down again?

With the development of the organic composition the mass of the means of production and the products are increasing, but its value is decreasing at the same time.

(Blackboard) Constant Capital: Value 500:mass 10 Machines
" " " 2500:mass 100 Machines

Here the mass has 10 times developed but the value only 5 times. This goes for commodities, labor-power, etc.

By this, the increase in the difference between constant and variable capital is less than the difference between the means of production and labor-power.

(Blackboard) Capital: 5000
Constant: 3000Variable: 3000
(50%)

Capital: 18000
Constant: 14400Variable: 3600
(20%)

To increase 3000 to 3600 variable it was necessary to accumulate from 5000 to 18000 total capital. A 20% increase in the variable capital makes an 80% increase in the constant necessary. 200% in total capital.

Centralization allows production on a larger scale. It intensifies the accumulation.

Capitalism will develop in this way:

| | | | | | | | | | | |
|-----|-------|--------|-------|--------------|-------|------|-----|-------|------|-----|
| 1:1 | ..... | 50:50 | ..... | \$ 300:\$500 | ..... | c.c. | 1/2 | ..... | v.c. | 1/2 |
| 2:1 | ..... | 100:50 | ..... | 700: 350 | ..... | c.c. | 2/3 | ..... | v.c. | 1/3 |
| 3:1 | ..... | 150:50 | ..... | 1200: 400 | ..... | c.c. | 3/4 | ..... | v.c. | 1/4 |
| 4:1 | ..... | 200:50 | ..... | 1800: 450 | ..... | c.c. | 4/5 | ..... | v.c. | 1/5 |
| 5:1 | ..... | 250:50 | ..... | 2500: 500 | ..... | c.c. | 5/6 | ..... | v.c. | 1/6 |

Less and less variable capital in relation to the means of production and as a result unemployment.

So the conflict between the material development and the social form of production expresses itself in the crisis.

Capitalist production is nothing else but a "utilization" process. Capital only produces capital if it produces surplus value. If this cannot be done accumulation will stop.

Remember: The rate of surplus value: $\frac{\text{Necessary labor-time: 4}}{\text{Surplus labor-time: 4}}$
Rate: 100%

S: 100 100% Rate of surplus value: (Constant Capital: 400
 V: 100 total Capital: 500)

Rate of Profit S: 100 20% Rate of surplus value: 100%
 C: 500 " " profit : 20%

Let us see what this would mean in relation to the development of the organic composition of capital:

300 constant, 300 variable, rate of surplus value: 100%
 rate of profit: 50%

700 constant, 350 variable, rate of s.v. 100%, r. of p. 33 1/3%
 2500 " 500 " " 100% " " 16 2/3%
 Fall in the r. of p. would lead to the end of capitalism if not
 simultaneecusly with it, the mass of profits would increase.
 (Back to page 82, blackboard) Value 500 : 10 Machines
 Value 2500 : 100 Machines

The rate of surplus value: 100% because $\frac{\text{surplus labortime}^4}{\text{nec. " " 4}}$

The development of the productive power has made possible:-

Surplus labor-time: 6
 Nec. labor-time: 2

Here the rate of surplus value is 300%

With the fall in the rate of profit the mass of profit increases.

Let us follow this example:

| | C:10% accumulation | | V: 5% accumulation | | | | | |
|--------|--------------------|--------|--------------------|-----|-----------|------|------------|-------|
| 1 year | c: 200 | 000-v: | 100 | 000 | R of S.V. | 100% | R. of Pro. | 33.3% |
| 2 " | c: 220 | 000-v: | 105 | 000 | " " " | 100% | " " " | 32.6% |
| 3 " | c: 242 | 000-v: | 110 | 250 | " " " | 100% | " " " | 31.3% |
| 10 " | c: 471 | 234-v: | 155 | 130 | " " " | 100% | " " " | 24.7% |
| 11 " | c: 518 | 357-v: | 162 | 886 | " " " | 200% | " " " | 47.8% |
| 15 " | c: 758 | 925-v: | 197 | 988 | " " " | 200% | " " " | 41.2% |
| 20 " | c:1222 | 252-v: | 252 | 591 | " " " | 200% | " " " | 34.2% |
| 21 " | c:1544 | 477-v: | 265 | 325 | " " " | 300% | " " " | 49.2% |
| 30 " | c:3170 | 200-v: | 411 | 602 | " " " | 300% | " " " | 34.5% |
| 35 " | c:5105 | 337-v: | 525 | 319 | " " " | 300% | " " " | 27.9% |

The mass of profit compensates the fall in the rate of profit. But as the exploitation reaches its limits then the mass falls also.

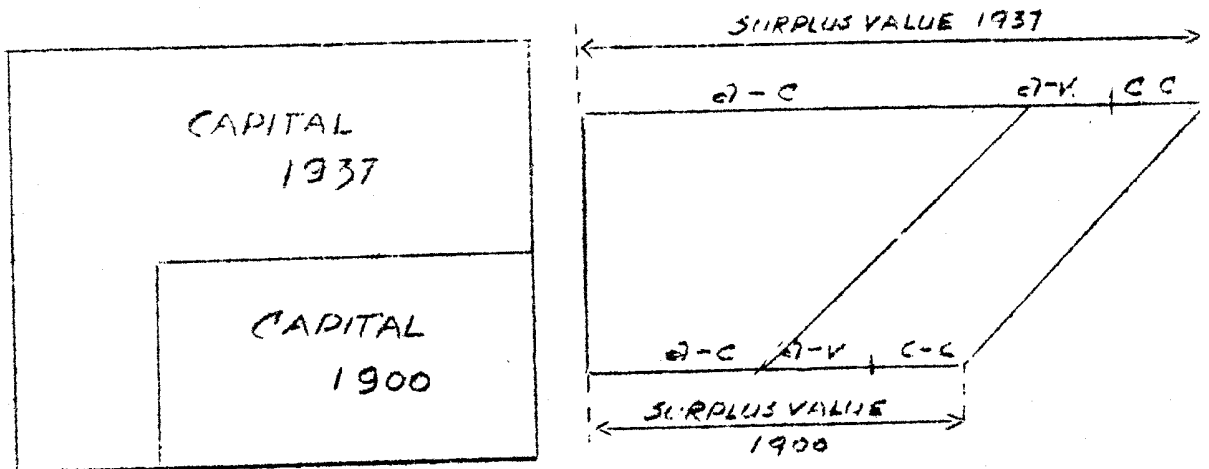
(till the tenth year)

(In this example, we did not accumulate faster as the rate of exploitation had increased; we have accumulated under the

condition of accumulating under a rate of exploitation of 100%. In reality the 300% and 200% rate of surplus would have hastened the accumulation process, that means more constant capital (to make this 300% exploitation possible) but even under our circumstances the rate of profit has dropped in spite of increasing the mass of profit.

Marx, Volume 3: "The fall in the rate of profit shows the relative fall to the surplus value of the advanced capital."

The fall in the rate of profit is an index that shows the relative fall in the mass of profit.



Capital has grown from 1900 to 1937. (See below*)

So has the organic composition; but because the organic composition develops, an always bigger part of the s.v. must go into accumulation of constant capital. The amount which is left for the capitalist and worker becomes smaller.

That means, the surplus can grow absolutely and still does not suffice to feed the capitalist and the worker. Every surplus made is needed for the accumulation, and if there is no accumulation there is a crisis.

You may ask, Why doesn't the capitalist stop this process?

The mass that is necessary for the continuation of the accumulation process is not dependent on the rate of profit but on the mass of the existing total capital. The accumulation goes on with the power it already possesses, not in relation to the rate of profit.

The fall in the rate of profit and a faster accumulation is the same process; both express the development of the productive power.

Even if a capitalist concern would only use its fixed capital

- *A-C - Accumulated Constant
- A-V - " Variable
- C-C - Capitalists' Consumption Fund

to 50% it would be forced (by competition) to renew its appearance not in relation to the 50% used but in relation to the 100% of the existing fixed capital.

But let us look at a process of accumulation through crisis and prosperity and find the general tendency working there.

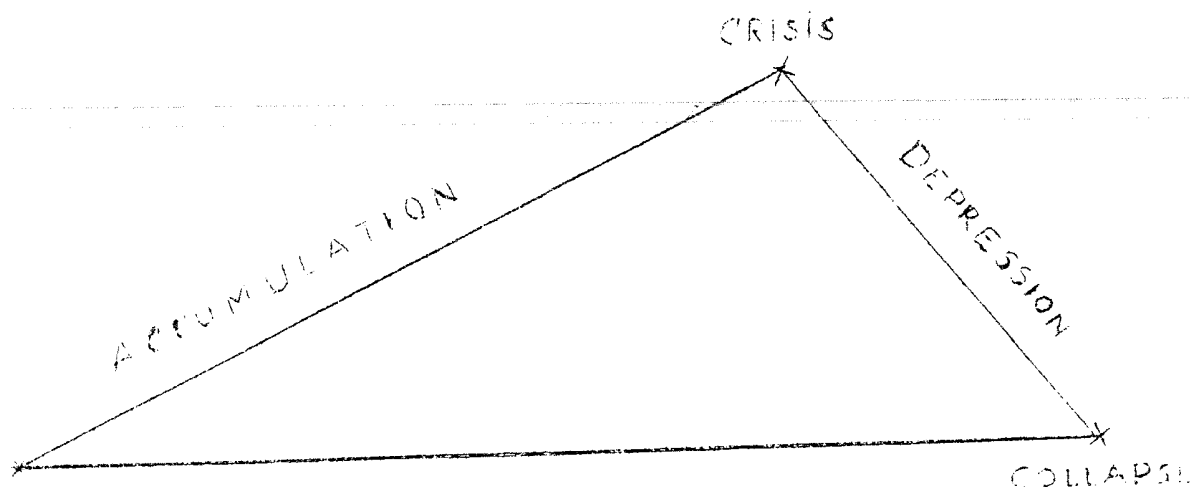
Marx, Volume 3, P. 303. "The development in the productive power of labor creates in the falling rate of profit a law which turns into an antagonism of this mode of production at a certain point and requires for its defeat periodical crisis."

General tendency of capitalist accumulation: Wealth on the one hand and pauperization on the other.

With the accumulation of capital the accumulation of poverty goes parallel. This absolute law is modified by different circumstances, not changed-- only modified. This law is, as the inner law, working through all modifications.

Accumulation, no matter how it may become modified, has as the last result misery for the workers to the same extent as wealth is produced.

Accumulation can only go on so long as there is profit to be made and so long as there is profit capital will and must accumulate. A crisis could only be explained in showing that due to some reason capital cannot make any more profit.



As long as there is sufficient profit accumulation goes on. Where there is insufficient profit the crisis sets in, followed by a time of depression. If this depression would not be stopped then the collapse would come.

Accumulation goes on in an ever higher organic composition.

But labor is the only source to capitalize capital. But relatively there is, as accumulation goes on, always less and less labor: the rate of profit drops all the time, but at periods the mass of profit gains. As long as this goes on, capitalism is on an upward trend in spite of the drop in the rate of profit. But when, as we saw, the mass also falls, or is not sufficient enough to bring the organic composition higher, then the accumulation stops. The crisis is there. And that would mean the end of capitalism, because it is the end of profit-making. The class struggle sharpens, the misery becomes so great that the revolution takes place.

The crisis sets in at the peak of accumulation. It was not there before.

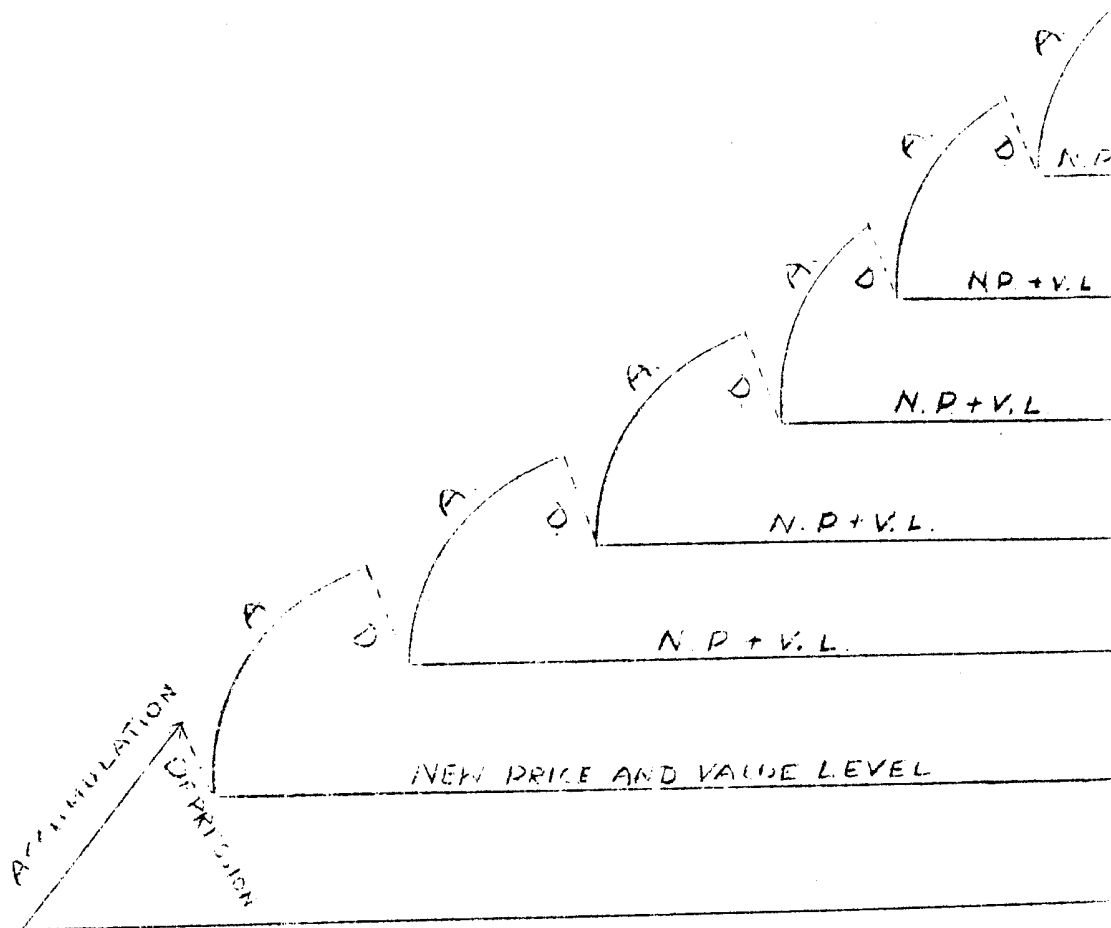
So we call it Over-accumulation.

Money from the already existing capital is still coming in, but nobody wants it because it would not bring profit; so it swamps the market. Over-production of capital. Accumulation stops. All the industries, which were engaged in producing for accumulation on the given accumulation rate get rid of their workers. Capitalists do not buy any material for the industries, so the production in these industries stops; production of consumption goods ceases because the feeding of laborers becomes unnecessary.

The capitalists are going out of business but every individual capitalist tries to save himself. He can only do so in the struggle of competition. This means he has to bring up his productive power in order to produce cheaper than the other capitalist. He applies new methods to his production (higher organic composition) by which he can sell over his individual value but under the social value. He gains an extra profit and more capital, but which gradually are nullified; for as soon as he does so, other capitalists apply the same methods which gradually become the social methods and the value the social value. The capitalist in the same time always tries to get more capital, because his profit is determined by the capital he possesses. If one capitalist makes in a certain production sphere an extra profit, more capital flows into this sphere, and soon the rate of profit is the same as the social rate. But then the profit is determined by the capital that the capitalist possesses.

The higher organic composition is a necessity for capital in order to live. So in trying to overcome the impossibility of making profit, they develop this impossibility only on a higher scale.

In order to overcome the crisis (look at the drawing on page 72) the impossibility of utilization must be overcome. This brings us to the cyclical character of the crisis.



Counter tendencies:

Higher rate of profit through the development of the productive power. Rationalization. Concentration:

| | | |
|--------------|--------------|--------------|
| 4 Factories: | 50:c | 50:v |
| | 40:c | 60:v |
| | 35:c | 65:v |
| | 25:c | 75:v |
| | <u>150:c</u> | <u>250:v</u> |

Concentration of 4 to 3 factories with the same production:

| | | |
|--|--------------|--------------|
| | 90:c | 38:v |
| | 35:c | 65:v |
| | 25:c | 75:v |
| | <u>150:c</u> | <u>178:v</u> |

There will be unemployment, but for sometime more profit.

More exploitation, intensification, more commodities in less

time, shortening of the necessary labor-time.

Shortening of the time of turnover: better circulation process.

With this, more money on the market. The rate of profit is now determined by a smaller total capital.

New sphere of production.

Doing away with ground rent.

Doing away with the merchant profit.

Killing of the profit-eating middle strata.

Devaluation. (Capital becomes valueless due to the development of productive power).

War - bankruptcy.

World market. Export of capital. Exploitation abroad. Cheap raw material - Imperialism.

Monopoly.

Death crisis if all those counter tendencies are not strong enough to compensate the general tendency that leads to the breakdown.

But before this the revolution will take place.

The crisis due to the over-accumulation of capital is also always a crisis of over-production of commodities.

1) Primitive Accumulation

The accumulation presupposes surplus value; the whole movement as a circle.

M-C-M- C-M

Where was the beginning?

Money and commodities are no more capital than the means of production and means of subsistence.

They were transformed into Capital. (Use and Exchange Value).

There is no capital without free labor; this means people who have nothing to sell but their labor-power.

The capitalist system presupposes the complete separation of the laborers from all property in the means of production.

As soon as capitalist production is working it reproduces this social relation.

The primitive accumulation is nothing else than the historical process of divorcing the producers from their means of living; that is, the means of production.

It appears as primitive, because it forms the pre-historic stage of capital.

The economic structure has grown out of feudalism.

The dissolution of feudalism sets free the elements for the development of the capitalist mode of production.

Free labor could only be there when the laborer was not any more bound to the soil.

The guilds had to be dissolved to overcome their labor regulations.

On the one side the emancipation from serfdom and guilds, on the other the new form of exploitation, wage work. But this is at the same time the development of the productive power of society.

The bourgeois revolution of the 16, 17, and 18 centuries; the expropriation of the agricultural producers, of the peasants from the soil, is the basis of the whole process.

The history of this process in different countries varies with different periods. But essentially it is always the same.

In England it had its "classical" form. Illustrations are given by Marx.

In England serfdom had practically disappeared in the last part of the 14th century.

They had free peasants, who worked part time for the feudal lord and the rest of the time for themselves.

The prelude of the revolution, for the foundation of capitalism, was played in the first decade of the 16th century.

A mass of free proletarians were hurled on the labor market by the breaking up of the feudal retainers. The rapid rise of the Flemish wool manufacturers and the rise in the price of wool gave the direct impulse to the evictions of the old feudal lords.

The new nobility was a child of the time, for which money was the power of all powers.

Transformation of land into sheepwalks.

Marx illustrates the process of driving the people from their land and using the land for the manufacture of wool and the free labor for the production of wool commodities.

Primitive accumulation: The expropriation of the church property; the robbery of the common land, the usurpation of feudal and clan property, its transformation into modern private property under circumstances of reckless terrorism.

They conquered the field for capitalist agriculture and created for the town industries the necessary supply of "free" laborers

The laborers could not be absorbed as fast as they were thrown on the market. They could not fast enough adapt themselves to the new conditions. The result- beggars, robbers, vagabonds.

For this reason there was passed bloody legislation in Europe against all vagabonds. Flogging, branding, killing and hard labor prisons, and various forms of torture, were in full force.

Marx gives some laws for the sake of illustration.

In the beginning, (not much machinery) variable capital was dominating. The demand for wage labor grew rapidly with every accumulation. A large part of the national product, ~~changed later in the fund of capitalist accumulation, then~~ still entered into the consumption fund of the laborer. Then the ~~period~~ period of legislation of labor took place.

Laws to set the height of wages, laws against trades unions, which was dropped only in 1825, etc.

We know by now how the proletariat was created, but what about the bourgeoisie? Let us begin with the capitalist farmer.

This was a slow process going on throughout centuries.

The serfs as well as the free small proprietors held land under very different economic conditions.

In England the first form of the farmer is the bailiff, himself a serf. He was replaced by the farmer, whose landlord provides him with seed, cattle and implements. He exploits more laborers.

He advances on half of the stock, the landlord on the other half. They divide the products.

This form disappears and makes place to the farmer proper, who makes his own capital breed by employing laborers and pays a part of the surplus product to the landlord as rent.

With the agricultural revolution, (such as wool manufacturers) he enriches himself very fast. With that, he develops in the same time the industrial capitalists.

The expropriation and eviction of a part of the agricultural population not only set free for the industrial capitalists the laborers, their means of subsistence, and material for labor, it also created the home market.

In fact, the events that transformed the small peasants into wage laborers and their means of subsistence into material elements of capital, created at the same time a home market for the capitalists.

Formerly the peasants produced the means of subsistence and the raw material for themselves and they consumed them. Now these things had become commodities; the large farmer sells them on the market, he finds this market in manufacturers.

Many small guildmasters transformed themselves into capitalists.

The money capital formed by means of commerce was prevented from turning into industrial capital by the feudal constitutions, (Guild organization).

With the breakdown of feudalism this was done away with.

~~The discovery of gold and silver in America, the beginning of looting of the East Indies, Africa as the commercial hunting ground for slaves, signalized the dawn of capitalist production.~~

Force is the midwife of every old society pregnant with a new one. It is in itself an economic power. (History of capitalism from the 15th century, the Netherlands, Spain, etc.)

Marx illustrates the brutal process of the outspreading of capitalism. Robbery, killing, Java in 1750 equalled 80,000; 1815, 18,000).

Thus colonial systems ripened like a hot house plant. Trade and navigation developed.

Today industrial supremacy implies commercial supremacy. In the period of manufacture it was the commercial supremacy that gave the industrial predominance. This is the reason colonization played such a powerful role.

The bank system developed too. Bankers loaned (private institution) money to the government. They printed money. In the same time the international credit system has developed.

So capitalism spread.

The modern system of taxation was necessary to cover the expense of interest by the government to the banking capital.

Marx: "Capital comes into the world dripping from head to foot, from every pore, with blood and dirt."

In western Europe the process of primitive Accumulation is almost completed. Here the capitalist regime has either directly conquered the whole domain of national production, or, where economic conditions are less developed, it at least, indirectly controls those strata of society which, belonging to the antiquated mode of production, continue to exist side by side with the gradual decay.

But in the colonies the capitalist regime comes into collision with the resistance of the producer, who as the owner of his condition of labor, employed that labor to enrich himself, instead of the capitalist.

That brings about a struggle between them.

The capitalist tries to do away with the competition on exploitation by force if possible. Or by sharing with the original exploiter if necessary: (India) systematic colonization is nothing else than the primitive accumulation abroad.

Exploitation of labor in the colonies is the aim of capital colonization, also raw material.

Historical Tendencies of Capitalist Accumulation.

We know by now, how capital started through primitive accumulation. We examined the general law of accumulation and find that it leads directly to wealth on one side and poverty on the other. Accumulation of capital is the accumulation of misery for the workers.

What is the historical tendency of accumulation?

Private property, as the antithesis to social, collective property, exist only where the means of labor and the external condition of labor belong to private individuals.

At a certain stage of development it brings forth the material agencies for its own dissolution. From that time onward new forces and new passions spring up in the bosom of society. But the old social organization fetters them; keeps them down. The old social organization must be annihilated.

Capitalism was the expropriation of a mass by a few. Centralization takes place. One capitalist kills many. The expropriators are expropriated. The development of productivity. The negation of negations. The expropriation of the few by the mass.

**

ERRATA

Page 68 - second line from the bottom; continued on page 69 - first line from the top should read:

(In this example, we maintained until the tenth year a rate of surplus value of 100%. Later we adopted a rate of 200% and another of 300%. With the increase in exploitation the growth of the mass of profit compensates for the fall in the rate of profit. But this rate of surplus value has to be increased constantly to compensate for the fall in the rate of profit.)

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