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The Permanent Instability of Capitalism

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This is a short article in two parts, discussing some theoretical issues around the present crisis. It tries to avoid repeating points made in earlier articles. The first part discusses why the capitalist class will not invest, in the context of a declining capitalism, and clears the ground for a forthcoming article on the long-term effects of the end of the Cold War on capitalism, arguing that decline has been hastened. The second part discusses the falling rate of profit, broadly rejecting it as an explanation of the current depression.

Keywords: Decline; Cold War; Capitalism; Crisis; Falling Rate of Profit; Depression

Introduction

It is now around 7 years since the initial events around the current depression began, with the housing market having peaked in July 2006 in the USA, followed by the collapse of the US subprime mortgage industry by March 2007. The house of banking cards gradually fell in, reaching its depth with the Lehman bankruptcy in October 2008. Japan, of course, has remained in its own downturn since 1989, with their stock exchange declining over time to one-quarter of its peak in 1989. The whole period from 1989 to March 2000 was marked by a high level of instability, with a downturn to 1993 followed by an upturn which led to a flow of money to East Asia, which fled in 1997, precipitating an East Asian crisis, and then a dot com boom and collapse in March 2000. The combination of 9/11 and the war on Iraq drew the global economy out of its slump, albeit with a low rate of growth.

From a perspective in which we look back from 2014, the turning point appears to be around 1989, when there was a downturn in Western economies following the stock exchange crash of October 1987. Japan has even now to recover to a period of consistent economic growth, while Sweden and Canada went through major transformations. It is no coincidence that the end of the Cold War was in 1989–1991, during that global downturn. The entire period from 1940 to 1990 was lived in the shadow of war and Cold War. Without the political and economic stability that it induced in 'Western capitalism', the future became uncertain. The next 10 years saw a series of bubbles—in East Asia, with the implosion of the long-term capital management fund, and the end of the dot-come boom in March 2000.

What Changed?

If we look at a wider perspective than the Cold War in itself, we have to consider the origins of the Cold War and hence the Russian Revolution and so the beginning of an era of the conscious overthrow of capitalism. In turn, we have then to look at the First World War and its origins in competing imperialisms which, in their turn, have to be understood as part of the decline of capitalism. The recent enthusiasm of bourgeois journals for the work of Thomas Piketty, *Capital in the Twenty-first Century*, arises from the author's alternative explanation of the reality of inequality as a natural phenomenon—that of profits growing faster than productivity. He sees it as leading to greater inequality and hence social unrest.[1] While greater income inequality obviously helps to make people see the capitalist system more clearly, and the disfranchised so-called middle class can be radicalised, it is the unequal relationships between master and servant that destabilize the society, not simply inequality of income, which is more of a consequence than a cause.

From this point of view, there are two tasks. The nature of the present downturn has been discussed before,[2] and we have discussed what prevents it from reaching a natural terminus and also what propels it. Further discussion necessarily involves selecting those of the crucial elements continuing the downturn which cannot be overcome. In the second place, the logic of the argument leads to a discussion of the importance of the long-term forces of decline in relation to the depression and the Cold War.

The Question of Confidence and the Refusal of the Capitalist Class to Invest

The one aspect which requires detailed discussion is the limited investment taking place. It is not that there is no investment. The newspapers play up examples of so-called entrepreneurship, like the Tesla, the sports electric show car, the automatically driven car or the social media. Silicon Valley appears to permanently investing more and more. Yet at the same time, much of it looks like play things for the rich, with something for the rest, like Apple's phones and tablets. As Obama pointed out, the central state needs to repair thousands of bridges, and that is just part of the infrastructure requiring urgent updating, not to speak of the need for investment in health and education. Yet the things mentioned by the President of the USA—coast to coast high speed rail is another instance—are not being done.

Various commentators are now arguing that we have entered a period of low growth, where major innovations are not taking place. Some even argue that such substantial rises in productivity ceased many decades ago. Arguments of this type, like that of Piketty, are obviously part of contemporary ideology, buttressing the idea that the depression is God-given or a result of humanity's over-indebtedness, which

[1] Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge, MA: Belknap Press, 2014).
[2] Hillel Ticktin, 'Political Economy and the End of Capitalism', *Critique*, 41 (April 2007) pp. 67–77, and Hillel Ticktin, 'The Crisis and the Capitalist System Today", *Critique*, 53 (August 2010) pp. 357–373.

can only be cured by austerity. It is of course true that growth is low to negative, but the question is why this should be the case. As pointed out at the beginning of this essay, the downturn is now 7 years old, without a real sign that unemployment will descend to levels before those of 2006.

Underlying this issue is the simple fact that businesses, particularly in the USA and the UK, have huge surpluses that they are not investing. Further, such surpluses are merely the tip of the iceberg. The several trillions of dollars held by private equity firms like Blackrock are dwarfed by the huge levels held in banks such as the Bank of New York Mellon, which I have frequently cited.

The fact is that the non-investment strategy has been a feature of capitalism since the switch to finance capital at the end of the 1970s. If viewed as a conscious and deliberate strategy it could be called an investment strike, as some do. However, it appears to be a result of economic forces rather than a political-economic decision.

There are two fundamental forces at work. In the first instance, there is the question of what determines the drive to invest. In classic Marxist theory (and not just Marxist theory), investment arises from the need of firms to raise productivity above that of the herd in order to sell more goods. Alternatively, they need to keep to the same level as the leaders in order not to lose their market. This is not a recipe for perfect competition but rather rotating or changing semi-monopolies. From this theoretical construction, one can argue in terms of both the entrepreneur and the innovator. Schumpeter did indeed take that route. As long as the leading firms change over time, maximum possible investment necessarily takes place.

Marxist theory does not remain at that level, however. Capital is self-expanding value. Money which is not invested is not capital, and the owner of the money is not a capitalist but a saver, or philanthropist perhaps. Capital has to invest in order to expand its value and so ensure its survival as capital. It is not just an empirical form; it is part of its essence as capital that it has to invest. Clearly if it does not invest, productivity does not grow and the historical justification for capitalism stops operating. A planned society controlled from below then becomes obviously superior in this aspect alone. This is not the only consequence, of course. Most obviously, a stagnant society becomes polarised and unstable.

The problem, however, is not one of zero investment over the globe, but of a substantial proportion of funds not being re-invested both by businesses and by the moneyed rich, or as they are called by their banks, high net worth individuals. Today, the shift away from simple ownership to high rewards for management has led, of course, to increasing levels of inequality but also to a separation of investment from the firm in that the bonuses running into billions go into banks or private equity, or in other words into finance capital.

The difference is that finance capital is inherently short-termist and hence will only invest if it gets an adequate return within a short period of time. As innovation in crucial change can take a long time to come to fruition, finance capital prefers to avoid it.

In fact, the argument on the limits to investment goes back to Lenin and Hilferding, who argued that the growth of monopoly meant that the incentive to innovate was reduced. Firms would not expand beyond the point of optimum revenue. Once at that point, they would not want to invest as the risks become too great compared with their present day certainty.

In spite of the constant refrain about the importance of the SMEs (small and medium sized firms), they are of secondary or tertiary importance for the economy. In general, they are closely linked to the large firms, as in the case of the automobile companies. The small firms are important politically in ensuring support for conservative parties, and for providing a more diverse cannon fodder to oppose change from capitalism.

The second reason why the capitalist class does not invest beyond a certain point lies in the long-term uncertainty of the system itself. This is partly a political fear of the results of full employment and partly worries about the constantly changing political economic environment. The latter is, in part, a preference for guarantees provided by the state. Thus Will Hutton, in an article in the British Sunday newspaper *The Observer*, argued that

> Leading City economist Andrew Smithers, in his important book, *The Road to Recovery*, argues that the collapse in business investment, weak economic recovery and persistently high government deficit are because UK executives across the board concentrate far too much on short-term share price performance. Investment and research and development, unless underwritten by the state, are far too hazardous. Companies would rather buy back their shares and pay high dividends.

And again,

> Professor Richard Jones, in a paper for the Sheffield Political Economy Research Institute, showed that one of the consequences of privatisation was a collapse in R&D. By 2005, British utilities were spending a mere £15m in total, a fraction of what they did when in public ownership and not enough to buy a decent town house in Notting Hill.[3]

We can summarise the points made as follows. In the first instance, most firms are monopolies or monopolistic or in orthodox economic terms—oligopolistic. They control their prices and know the demand for their products or services, and prefer to reduce disruption to these schedules to the minimum. In the second place, the control of finance capital reinforces these tendencies and makes the outlook for capital expenditure more short-termist, effectively reducing it to considerably lower levels depending on the period. Thirdly, the public sector was crucial in the postwar period either in directly investing in large-scale, long-term projects or in providing guarantees and part of the investment itself. As the public sector is much diminished and governments are controlled or at least limited by the conservatives who are effectively anarchists in wanting little or no state, the result is that investment will necessarily be a fraction of what it has been since the Second World War.

From the point of view of a discussion on decline, the growth of monopoly, the relatively less aggressive push for higher productivity and short-termist approaches

[3] http://www.theguardian.com/commentisfree/2014/feb/22/centrica-typifies-ills-british-energy-industry; Will Hutton, 'Centrica Typifies the Ills of the British Energy Industry', *The Observer*, 23 February 2014.

are all aspects of a declining mode of production. The holding back on investment and the need for the state to provide the necessary back-up show the new mode of production beginning to show itself even if in a protean form.

The Cold War used extensive state intervention in the economy, which stabilised it and maintained relatively high levels of employment and a substantial welfare state, particularly in Western Europe.

The Forms of Stability in the Cold War and the Results of their Termination

In my view, there were five major forms or effects of the Cold War itself during this period, other than hot and Cold Wars, which were crucial in ensuring that stability. Without the Cold War, these features cannot survive. They have to either be substantially modified or disappear completely. Since the USSR no longer exists, and there is no likely successor, for the time being at least, the transformation of the countries of the Warsaw Pact plays an important part in the new character of the world. These changes were as follows.

Historically Unprecedented High Levels of Military Expenditure had Underpinned the US and so Global Economy

There were, of course, two major wars, those in Viet-Nam and Korea. As these involved both open battles and guerrilla warfare on a considerable scale, expenditure was high, peaking in 1968. In the period 1945 to the sixties, the two colonial powers, the UK and France, attempted to hold on to their colonies. France kept its West African colonies, while the UK defeated the rebels in Malaysia and Kenya. US military expenditure is provided for in the annual budget presented to Congress. However, there is further expenditure under other headings in the budget, so that the exact total is considerably larger than that officially estimated. Nonetheless, it may be enough to look at the changes over time to see the overall trend. These show peaks, as a proportion of gross domestic product (GDP), in 1968 and 1986, and then a halving in the proportion of defence expenditure in the GDP down to 3 per cent by 2000.[4] Even the increase induced by 9/11 and the wars in Iraq and Afghanistan left defence expenditure, as a fraction of GDP, some distance from that in the time of Reagan or earlier, although it did ensure that the downturn of March 2000 ended. The deliberate run-down in military expenditure under Bush Senior and Clinton was no coincidence. Demands for budgetary control reflected a long-standing demand that taxes be cut. With the 'enemy' now regarded as either in retreat or defeated, cuts were made. Clearly, much more could have been spent on worthy causes, but that was not the mood of a Republican controlled government or Congress.

The rise and decline of the USA hid the real decline of capitalism. The US replaced the UK as global imperial overlord, and as a wealthier and industrially more developed

4 *Sipri Yearbook 2013: Military Spending and Armaments* (Stockholm, 2012), p. 136, Table 3.4: US outlays for 'National Defense'.

power it was both more efficient and more able to tolerate the development of a national bourgeoisie. Whereas the UK protected its own industry, the USA was able to permit and encourage the development of local industrial development, under the aegis of its own companies, which often retained technological and managerial control.

However, the need to maintain control over the working class in the developed countries led to the switch to finance capital as a mode of control. That, in turn, allowed the developed countries to export their factories to China and other parts of the third world. This produced an illusion of continued growth. However, without the apparatus of the Cold War there was no basis for permanent and continual investment, hence the discussion above on why investment is curtailed.

Ideological Control

This involved a particular interpretation of history which showed itself both in the media and in educational institutions. It was reinforced by the realities of Stalinism and by the fact that millions who had suffered under Stalinism had emigrated to the West. Those who had come from those areas in an earlier period often had relatives who related their problems to their families in the West. The educational institutions, the press and religious institutions produced an overwhelming and extreme anti-socialist orthodoxy. It underpinned loyalty in the wars that were fought, and the suppression of a left culture. It effectively shaped the left as it emerged once the initial force of the ideological onslaught had worn itself out. The result was that much of the left assumed that the enemy's enemy was their friend; others preferred an anarchistic empiricism. Others, in their isolation, turned to dogmatism. With the end of the Cold War, Communism was no longer a threat or even an enemy, given the liberalism of such Communist Parties that survived. Social democracy had already disintegrated. There could no longer be an enforced ideological unity based on anti-communism. Attempts to revive new forms have patently failed. In the UK, the *Daily Mail* campaign against Marxism, as being necessarily Stalinist, failed derisorily. An anti-terrorism war campaign died a death. Today, the cry that in a time of austerity we are all in it together is very different. It is a classic nationalist ploy, which is in itself divisive in that the government is manifestly well-off, while figures on inequality are almost never off the pages of the tabloids. It is a cynical ploy in an age of cynicism. Cynicism, however, is not a theory or understanding of society, it is a defence against action, which will disappear when the possibility for change shows itself.

Internal Security Measures

The acceptance of security measures over the left and often over any opposition to the establishment within countries was a feature of the period. McCarthyism in the USA was a classic example. The war on terror has increased security measures but they are not comparable to the forms of control over the ordinary population.

Global Policing

The maintenance of forms of global economic and political policing by the USA and the former colonial powers is considerably weakened. South America was regarded as the backyard of the USA and both direct and indirect intervention was common. Today, it is more limited. Chavez would not have been tolerated in an earlier period, as shown by the way the USA helped to get rid of Allende. The limits of the USA have been shown in the Ukraine. Above all, the results of the interventions made in the Middle East have been dubious, to say the least. The result is a muddle and a mess looked at from the side of the ruling class. The same kind of result may be expected in relation to Russia and the Ukraine. Indeed, the settlement after 1991, where the USA played a critical role, was a failure. The transition to capitalism has indeed failed. Those in favour of capitalism say it has not been completed.

Ruling Class Unity

The increased cohesion of the ruling class, both within and beyond national borders, as in the example of P2 in Italy, ensured that left parties and groups were kept under control, through a variety of measures. In third-world countries, coups were easily resorted to when the ruling class felt threatened. The mass killing of the left by the army in Argentina in the 1970s was paralleled by the events in Chile. Theorists have written of the independent role of the army in society in view of the way it has taken power in a number of countries at various times. However, the army cannot rule without assistance from those who actually rule in a capitalist society. They cannot run the economy with any degree of success unless they are prepared to shift into a so-called command/planned economy, to which they are generally opposed. Hence, they generally take power at the behest of the ruling class or a section of the ruling class. As the army command is generally from, around or in that layer, it is hardly surprising. The ruling class lived in an atmosphere of uncertainty with a siege mentality. In developed countries, the Communist and left Social Democratic parties plus militant unions created a visible threat. In fact, the Stalinist parties and the Social Democrats were unlikely to do very much. It was only in the 1970s, when Stalinism was in decline and the working class was militant, that a real threat existed. Even if Stalinism and the left were never as strong as depicted, the ruling class were not going to take any risks of another October Revolution.

The attempts to replace the Cold War ideology and strategy have not been successful. The first, that of a War on Terror, was associated with President Bush and ended as a force before his term finished. The second has been the theme of austerity.

The austerity policy has become embattled partly through direct street protests and other forms of direct action and partly because social democratic parties have to oppose it, even if they enforce it in a slightly weakened form. There have been protest movements all over the world and there is no question but that the overall downturn and associated cuts precipitated the so-called Arab Spring. Indeed the Ukrainian protests/uprising might not have occurred in all their bitterness if the EU had supplied a relief programme or if Ukraine had been exporting more goods in the world market. There is no question but that the protests have more to do with the failure of the move to the market, but since a socialist alternative is not on the cards, the economy and society are in a dire state, with the population looking to Russia or the EU or both.

The result has been that austerity rules have been tempered by extending the period when they are to function, so putting off further cuts by a varying period of time. However, unless there is an equivalent of a global Marshall plan, the prospect of a static or declining standard of living will propel the population of much of the world to action.

In sum, the end of the Cold War has destabilized the global economy and polity. In the first instance, the instability has led to increased fragmentation, muddle and uncertainty in the context of a global depression, which is a direct result of the end of the forms of the Cold War. There is no left to replace the ruling class, but the situation of the ruling class is weaker than it has been for a long time.

Part 2. Once Again on the Question of the Falling Rate of Profit

The question of the role of the theory of the falling rate of profit has once again became an issue among Marxist political economists, and Marxists in general. Its importance, reality and role have been discussed at various periods in the past, with varying results. In the last issue of *Critique*, we printed an article by Carchedi and Roberts on the falling rate of profit, taking issue with Heinrich, author of a work on Marx's *Capital*, who sees the rate of profit as indeterminate.

In what may be called the classical revolutionary period after Marx's death, the falling rate of profit played a secondary or tertiary role. Lenin and Trotsky do not mention it. Rosa Luxemburg does so, although most people accuse her of being an underconsumptionist. She even says that it is important in Marxist political economy, but she goes no further. Her actual analysis of the political economy omits mention of the role of the falling rate of profit.

It was the German Marxist theorist Henryk Grossman who effectively brought the theory to life. Paul Mattick, a Council Communist, played an important role in popularising it. However Henryk Grossman settled in East Germany and had little influence. Paul Mattick's influence was more or less limited. It was only in the 1970s when people like David Yaffe picked up the concept and attempted to develop it, making it the basis of his political grouping, that the concept became more important. It penetrated the Conference of Socialist Economists and established ideological dominance among the far left. Chris Harman, the Socialist Workers Party theorist, accepted it and employed it in his writings in the journal of which he was editor, *International Socialism*. Tony Cliff had indeed argued that the falling rate of profit applied to the USSR, in his book arguing that the latter was state-capitalist. The Marxist Humanists adopted the concept in the USA and Andrew Kliman then wrote on the subject, most particularly in his latest work on the present crisis,[5] where he tries to argue the case empirically.

The intellectual heritage is not impeccable, as might be clear from the above. Marx does not refer to the falling rate of profit in volume 1 of *Capital*. As a result, the only sources for his argument on the subject are unrevised drafts, particularly in volume 3 of *Capital*. In the only chapter he wrote solely devoted to crisis, in volume 2 of *Theories of Surplus Value*, there is no reference to it. We may deduce from this that Marx was in two minds about the subject or that he was clear that it played a role but had not yet thought out its real importance. Since Marx never pulled together the different threads of his argument on crisis, it is open to any Marxist or any Marxist scholar to come to a range of different conclusions as to the theory of crisis.

Nonetheless, the fundamental basis of the argument undoubtedly follows from the labour theory of value as expounded by Marx and it is not surprising that it, therefore, appears in the *Grundrisse*. However, the labour theory of value only leads to the possibility of a declining rate of profit through an argument that itself introduces a complexity, leaving the while question open to doubt. It is not surprising that Michael Heinrich in his book on capital says that it is indeterminate. This is because the fundamental dynamic of capital according to Marx lies in its essence as self-expanding value. In this process, it must raise productivity or effectively cease to exist. In other words, to be capital, value must be invested and produce surplus value, part of which is profit. By raising productivity, capital reduces its costs and so increases its surplus value. It does this for more than one reason. For some theorists, it is competition which forces it to do so.

There can be no doubt that competition enforces the laws and tendencies of capital, as Marx makes clear. However, the question is whether capital would not do so anyway, even if less efficiently in the absence of competition. Its drive is to make and increase profits. If it stagnated and profits remained at previous levels, the rate of profit would then decrease as it would have invested its profits so increasing its capital. Further investment would require either more workers or higher productivity. Ultimately, if the reserve army of labour was depleted, workers would demand higher wages. Hence it pays the capitalist to raise productivity, even without competition. Even without the spur of working class demands, the capitalist would be seeking to raise his profits, because the cost and nature of raw materials and machinery would be changing. Hence, in principle, the capitalist increases productivity and the cost of his product diminishes. The global result is that the inputs required by the capitalist will go down in value and the cost of workers' needs will also go down. Hence profits rise.

On the other hand, the alternative scenario argues that the rate of profit declines because productivity rises and fewer workers are needed to produce the same product and hence there are fewer hours of surplus labour and so product. Ultimately machines make machines and there is so little labour time that there is no profit at all.

[5] Andrew Kliman: *The Failure of Capitalist Production, Underlying Causes of the Great Recession*. (London: Pluto Press, 2011).

Hence we end up with an indeterminate result on profits because productivity can lead to either higher profits or lower profits at any one time. However, it is another matter over a longer period of time or in the very long run. There are several questions here.

The first question is whether the long-run tendency is for productivity to lead to the production of goods and services with less and less labour input. If machines make machines then there is no value produced at all. The answer here is unequivocal in respect of products like machines themselves, where automation is rapidly reducing the number of workers involved. On the other hand, the situation is not the same in respect of services. Machines cannot write books, brochures, advertising and journalism, whether in newspapers or on the internet. However, the use of computers for these purposes and the whole enormous apparatus of the 'net' with broadband, increasingly complex computerised phones indicate that services too are requiring more machinery, even though automation is limited. Indeed progress towards a socialist society would indicate the evolution of sectors like education and health where direct care and compassion cannot be dispensed with, and in the period when capital still operates, it is compelled to conform. It is no accident that it is precisely in these areas that there is the greatest pressure to reverse history and concede to capitalist control.

However, Marx talks of a tendency towards a falling rate of profit, and clearly if the direction is not always the same it can only be a tendency. In order to strengthen the credibility of the argument for a secular falling rate of profit, since the 1970s, proponents of the argument have insisted on talking about the law of the tendency. However, this is logical nonsense. A law involves a necessary relation. The law of gravity states a relation that always holds between two bodies, provided that the distance is sufficiently limited. It is not offset by anything, other than another body or distance. Gravity is a self-acting force, which cannot be negated as a force, although distance or another object might stop the force acting on the primary object. A tendency is not a necessary relation. It only holds under specified conditions. The rise in productivity which is required can act in more than one direction, and it is historically unpredictable. The decline in the rate of profit is not a law but a tendency, and it may or may not apply at any one time.

Let us be clear. We start from the point that value is composed of a quantity of socially necessary labour time. An increase in the organic composition of capital, or in other words the relation of inanimate capital, that is, raw materials, plus buildings and machinery, to workers pay obviously must lead to a decline in the rate of profit if there are fewer workers as they are the sole source of value and hence profit, provided that their pay is constant. If pay declines then profit can actually go up, depending on the circumstances. The second proviso relates to the value of the fixed capital because the higher productivity can lead to the organic composition of capital actually falling because raw materials decline in value and/or fixed capital can decline in value, whatever its physical size. Capital saving equipment is obviously a necessary feature of the economic landscape.

In really existing capitalism, the cost of raw materials and of machinery has been through periods of rising and declining values and prices. As new sources of raw materials have been found, prices have tended to decline. The same has occurred as the techniques of extraction have improved. The cost of production of the means of transport has also tended to decline, as shown by the values of cars and lorries. However, the opposite tendency has shown itself both through the increasing scarcity of some raw materials and through monopoly control of many raw materials like oil and various minerals. In regard to construction and manufacturing, the issue is complex because rising productivity leads to a decrease in value of the machine but the process itself gets further mechanised or the machine is improved, raising its value. The result at any one time is indeterminate or possibly even a higher rate of profit, which decreases as the machinery is further developed, substituting capital for labour.

When does it apply then? Can one measure the rate of profit in value terms? I do not accept the various theorems, like the Okishio theorem, in order to inter-relate labour-value terms to the existing price system. The fact is that we do not know the extent of unproductive input into prices in any particular instance, let alone the totals. Since they vary considerably both globally and individually, money prices do not reflect values in any sense. Secondly, I reject the view that one can accept profits or profit rates as produced either by governments or by firms as reflecting real value-based profits. We can agree that total value is equal to total price, but not that any one price or series of prices is equal to their values. The only source of value is labour time, hence total surplus value will be equal to total profits, subject to technical variations owing to the form of calculation. This point is discussed in the next paragraph.

The issue becomes complex once we re-arrange profits so as to appear to come from capital rather than labour as in the transformation from values into prices. The first obstacle is the Steedman argument, but it is in fact no more than a technicality and should therefore be ignored or left to mathematical pedants. Philosophically or logically the profits must come from somewhere and the proof that they derive from labour time does not rest on mathematical calculation but on a theoretical grounding. Its ultimate proof rests on the same basis as any theory—its ability to explain and predict.

Once profits come from invested capital, the rate of profit will nonetheless overall remain based on the total profit in the economy divided by the total investment in both labour and capital. However, unproductive labour and capital will not add value, but only absorb value, which is then used to make profits in the unproductive enterprise. However, the total output of the enterprise constitutes surplus value, used to ensure the reproduction of surplus value extracted elsewhere. The point is that, if we include the unproductive sector as a whole in total profits, then total profits are clearly increased as opposed to not doing so. The direction, up or down, of the rate of profit may also be altered.

The next point to be raised is the nature of the national or international entity that has to be considered when estimating profits. In the case of the developed world, the interconnection among the countries and the increase in profits obtained through the exploitation of the third world makes estimates difficult if not unreliable.

Finally, there is the issue of the truth or otherwise of the company accounts. Given the use of tax havens to reduce tax and the over-reporting of profits to ensure higher share prices, it requires forensic accounting to obtain a rate of profit that corresponds to a semblance of reality.

It seems odd for Marxists to claim that the rate of profit is falling when the capitalist class itself talks of it rising.