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Political economy debate
The Exhaustion of the Present Phase of Capitalist Development

G. Carchedi

A fundamental tenet of Marx's theory of history and revolution is the contradiction between labour's productive forces and the capitalist production relation. 'At a certain stage of development the material productive forces of society come into conflict with the existing relations of production … From forms of development of the productive forces these relations turn into their fetters' (Marx). Traditionally, this has been read within the context of a theory of transition from capitalism to socialism or communism. But it applies just as well to the transition from one phase of capitalist development to the following. The specific characteristic of this phase, which started after WWII, is that this contradiction has become increasingly explosive as revealed by the persistent fall both in the rate of profit and in the new value produced. This indicates that we are witnessing the exhaustion of the present phase of capitalism. No economic policy measures, either neo-liberal or Keynesian, can hold this process back. Thus the first question addressed by this article is: why and how is the present phase coming to an end? Related to this question there is Gramsci's 1930 reflection, which still applies nowadays: 'the old is dying [but] the new cannot be born.' Gramsci meant the radically new, communism. If the radically new cannot be born, the old will resurrect, but in a new shape. The second crucial question is then: what could this new shape be? This article submits answers to both questions. These answers are supported by robust empirical evidence.

Keywords: Money rate of profit; Value rate of profit; Constant exploitation rate of profit; Crises; Neo-liberal anti-cyclical measures; Keynesian anti-cyclical measures

A fundamental tenet of Marx's theory of history and revolution is the contradiction between labour's productive forces and the capitalist production relation. 'At a certain stage of development the material productive forces of society come into conflict with the existing relations of production … From forms of development of the productive forces these relations turn into their fetters' (Marx, 1970, p. 21).[1] Traditionally, this has been read within the context of a theory of transition from capitalism to

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socialism or communism, but it applies just as well to the transition from one phase of capitalist development to the following.

Labour's productive force is labour's productivity, as measured by the quantity of output per unit of labour with the help of means of production. The relation of production is the relation between capital and labour. The contradiction is this: the greater is labour's productivity (i.e. the more new means of production are introduced in the production process to raise labour's productivity), the more is the labour shed by capital, the less is the value and surplus value produced per unit of capital. The fall in the rate of profit is the synthetic manifestation of this contradiction. Falling profitability, in its turn, is the ultimate cause of economic crises. Yet not all falls in profitability lead to a crisis. For a crisis to emerge, the new value produced must also fall to negative values as a consequence of lower profitability. The fall in the new value produced measures the severity, i.e. the extent and magnitude, of the crisis.

This holds for capitalism in general and thus also for the present phase of its development, the one which began after the end of the Second World War. The specific characteristic of this phase is that this contradiction has become increasingly explosive, as revealed by the persistent fall both in the rate of profit and in the new value produced. This indicates that we are witnessing the exhaustion of the present phase of capitalism. No economic policy measures, either neo-liberal or Keynesian, can hold this process back. Thus the first question upon which this article hinges is: why and how is the present phase coming to an end? Related to this question there is Gramsci's 1930 reflection, which still applies nowadays: 'the old is dying [but] the new cannot be born' (Gramsci, 1971, pp. 275–6).[2] Gramsci meant the radically new, communism. If the radically new cannot be born, the old will resurrect, but in a new shape. The second crucial question of this article is: what could this new shape be?

The key variable is the profit rate, the fundamental indicator of the state of health of capitalism. Within the context of a nation or a group of nations, what counts is the average rate of profit (from now on, ARP). Let us consider first the ARP of the US, still the most important nation nowadays. Statistical data show that the US ARP is in a state of irreversible fall. The fall is tendential, i.e. through upward and downward cycles, but the trend is clearly downward.

The ARP falls because of the specific nature of technological innovations under capitalism, the main cause of its dynamism. On the one hand, innovations increase labour's productivity, i.e. each labourer produces an ever increasing quantity of commodities with the help of increasingly advanced means of production. On the other hand, innovations replace labourers with means of production (Figure 1).

[1] K. Marx, *A Contribution to the Critique of Political Economy* (Moscow: New World Paperbacks, Progress, 1970).

[2] A. Gramsci, *Selections from the Prison Notebooks, 'Wave of Materialism' and 'Crisis of Authority'* (New York: International, 1971).

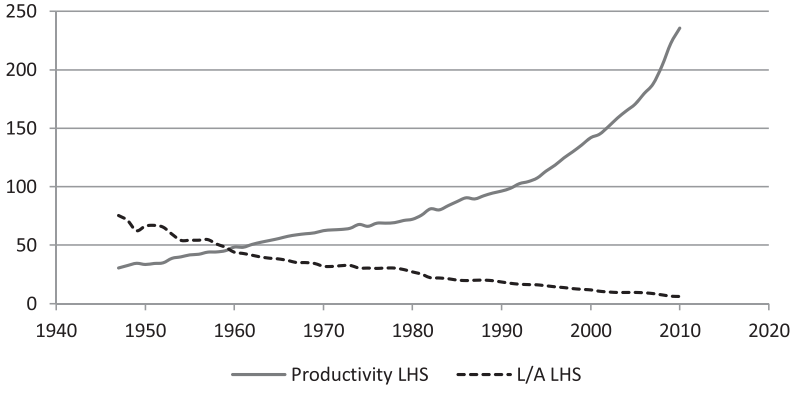


Figure 1 Labour productivity and labourers (L) per unit of capital invested (A).
Source: G. Carchedi, 'The Law of Value' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

Labour productivity grew from a deflated US$28 m per worker in 1947 to US $231 m in 2010. On the other hand, the number of labourers per unit of assets fell from 75 in 1947 to 6 in 2010. Since only labour produces value (a fundamental hypothesis that can be shown empirically[3]), a growing output of use values contains a decreasing quantity of value. Notice that, starting from the mid-1980s, the ARP has grown. This seeming anomaly is accounted for below.

This holds also for mental labour. It is topical nowadays to consider the Internet as marking the beginning of a new phase of development of capitalism. In a recent work I analysed the nature of mental labour and argued that, given certain conditions, it can be productive of value and surplus value just like objective labour, erroneously called material labour. However, mental labour is subjected to the same rules dominating objective labour. On the one hand, new forms of mental labour allow the introduction of new forms of exploitation together with greater rates of exploitation. On the other, new technologies replace mental labourers with means of production, just as in the case of objective labour. In spite of its specific features, mental labour is not capitalism's elixir of life.[4]

Let us now consider the global economy. The same trend in the ARP in the US can be discerned at a global level.

Notice the difference between the rate of profit of the G7 and the world rate of profit.[5] Starting from the late 1980s, the G7 have suffered a profitability crisis (negative trend) while the global ARP has a positive trend. The non-core countries have played an increasingly greater role in the growth of the world ARP.

[3] See G. Carchedi, 'The Law of Value' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

[4] G. Carchedi, 'Old Wine, New Bottles and the Internet', *Work Organisation, Labour & Globalisation*, 8:1 (2014), pp. 69–87.

[5] This rate of profit is based on all sectors of the economy and not only on the productive sectors, as in Figure 2.

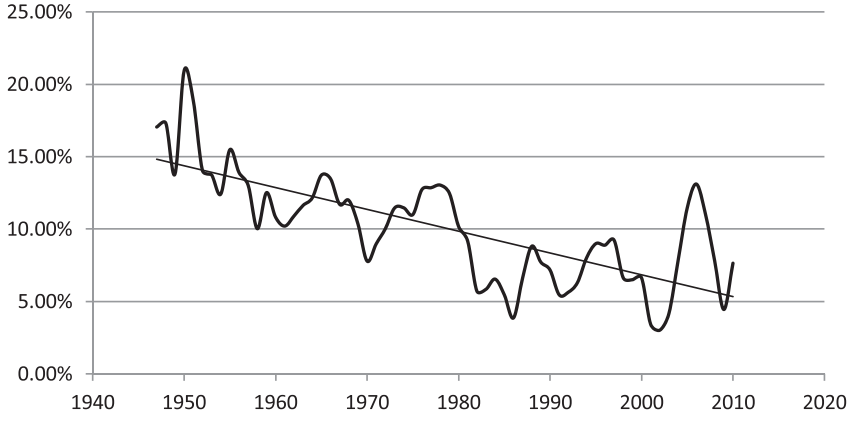


Figure 2 ARP of the US, 1945–2010.[6]
Source: G. Carchedi, 'The Law of Value' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

Figures 3 and 4 below situate the present phase of capitalist development in a larger historical context.

Figures 2–4 show that the ARP does not fall in a straight line, but through upward and downward cycles. The downward tendency is temporarily slowed down and its direction reversed owing to the action of the counter-tendencies. However, they cannot prevent the ARP from falling in the longer run. There are three basic counter-tendencies.

The first is that, owing to greater labour productivity, technological innovations reduce the value of each unit of output. This holds also for the means of production

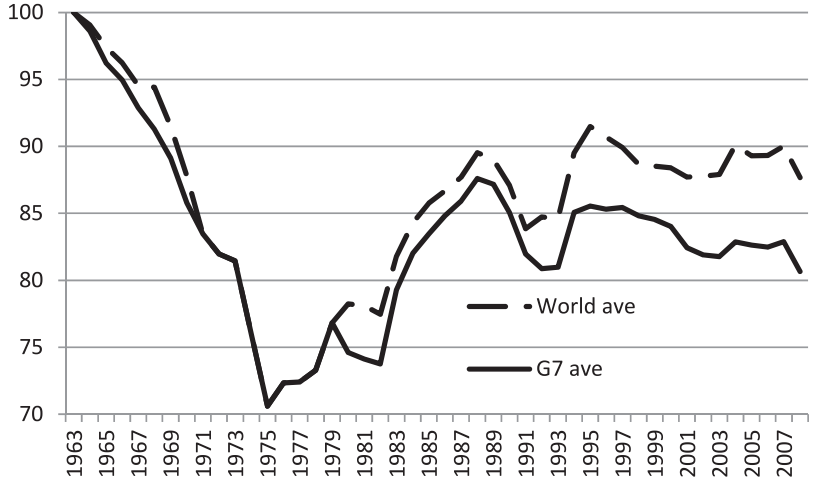


Figure 3 World ARP and G7 ARP, 1963–2008 (index, 1963 = 100).
Source: M. Roberts, 'A World Rate of Profit', paper presented to the AHE conference, 2012, http://gesd.free.fr/mrwrate.pdf

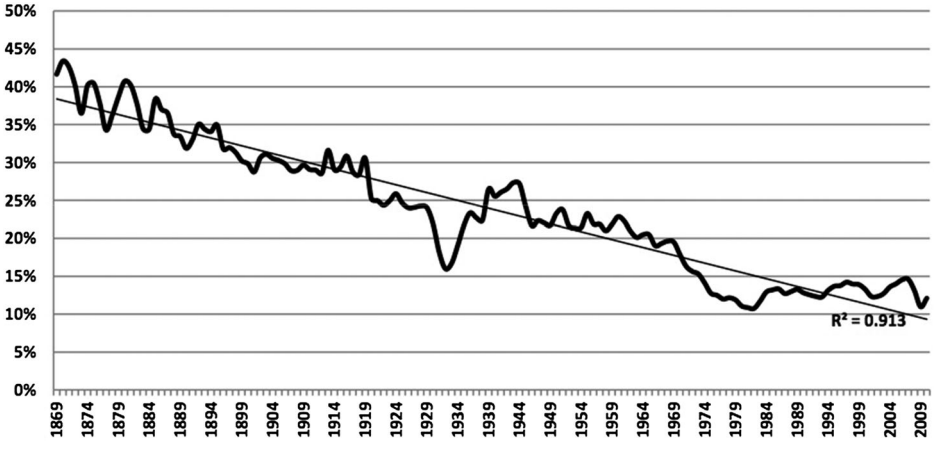


Figure 4 E. E. Maito, 'The Tendency of the Rate of Profit to Fall Since the 19th Century and a World Rate of Profit' in G. Carchedi and M. Roberts, *The World in Crisis*, forthcoming, Figure 6.

as outputs. When these means of production enter a new production process as inputs, the denominator of the profit rate (the capital invested) falls and thus the rate of profit rises on this account. Thus, the critics hold, the rate of profit does not necessarily fall. This critique overlooks the nature of Marx's laws, that they are tendential. In this case the fall is tendential, i.e. in the short run (the extent of a cycle) the rate of profit can either fall or rise. However, given a succession of cycles (in the long run) it falls. This is shown in Figure 2. First, the critics should explain why it falls rather than doubting

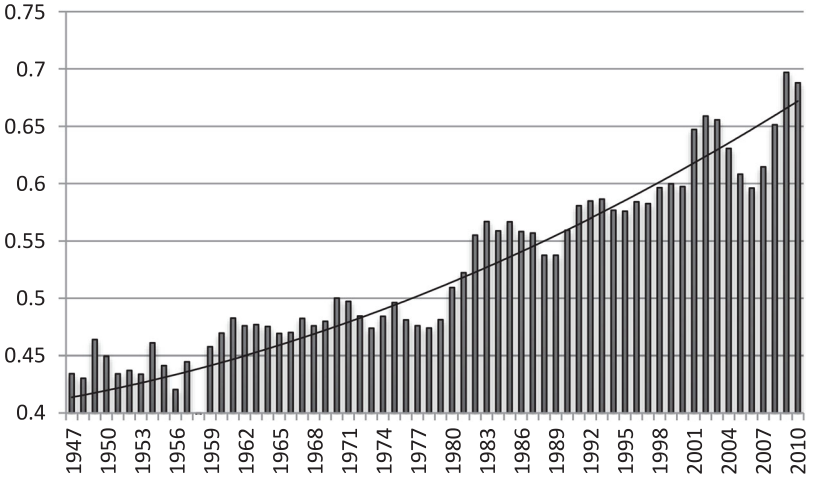


Figure 5 Value of the means of production as a percentage of total value, US 1947–2010.
Source: G. Carchedi, 'The Law of Value' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

that it falls. Second, if in the long run the ARP falls, the value of the mean of production must rise. This is indeed the case (Figure 5).

Figure 5 bears out what Marx observed in the *Grundrisse*, i.e. that the price of single machine can fall, but that the price of the system of machines that replace that machine grows both in absolute terms and relative to the price of the output. In the long run this counter-tendency has not overcome the tendency.

The second counter-tendency is the increase in the rate of exploitation. If the workers work longer and more intensively, they produce more value and surplus value and the rate of exploitation rises. The rate of profit rises too on this account. This is what has happened from 1986 onward, with the coming of neo-liberalism and the savage onslaught on wages. In 2006, the rate of surplus value was the highest since the Second World War with the exception of 1950 (Figure 6).

However, does this counter-tendency overcome the tendency, the fall in the ARP? Consider first the relationship between the rate of exploitation and the rate of profit as in Figure 7.

The two rates are strictly correlated. This graph could be read as if the rate of profit were determined by the rate of surplus value. In fact, up until the mid-1980s the rate of exploitation fell and with it the rate of profit. From the 1980s onward the rate of exploitation rose and the rate of profit rose too. A neo-liberalist economist would hasten to conclude that, in order to increase the rate of profit and thus to exit the slump, the rate of exploitation must be raised, i.e. that austerity (for labour, not for capital) is needed. However, consider the facts.

Starting from the mid-1980s, the rate of exploitation increased but employment fell instead of rising. If there were a relation between cause and effect as suggested by neo-liberalism (i.e. higher rates of exploitation, higher rates of profit, higher investments,

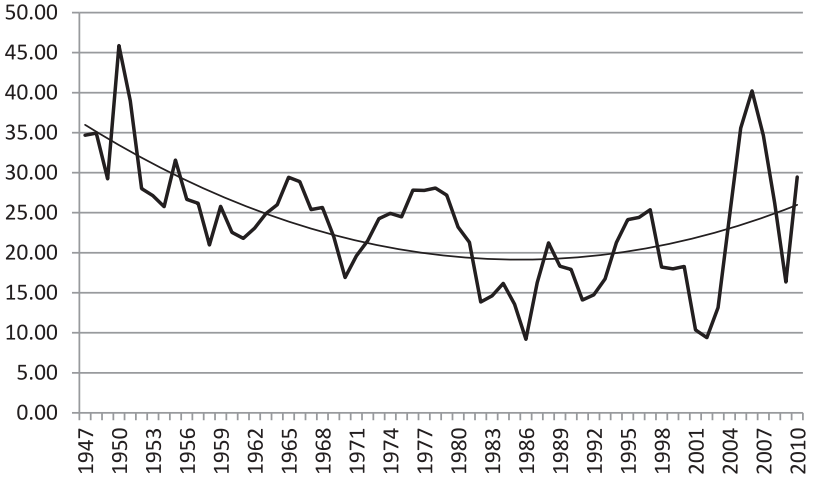


Figure 6 Rate of exploitation, US, 1947–2010.
Source: G. Carchedi, 'The Law of Value' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

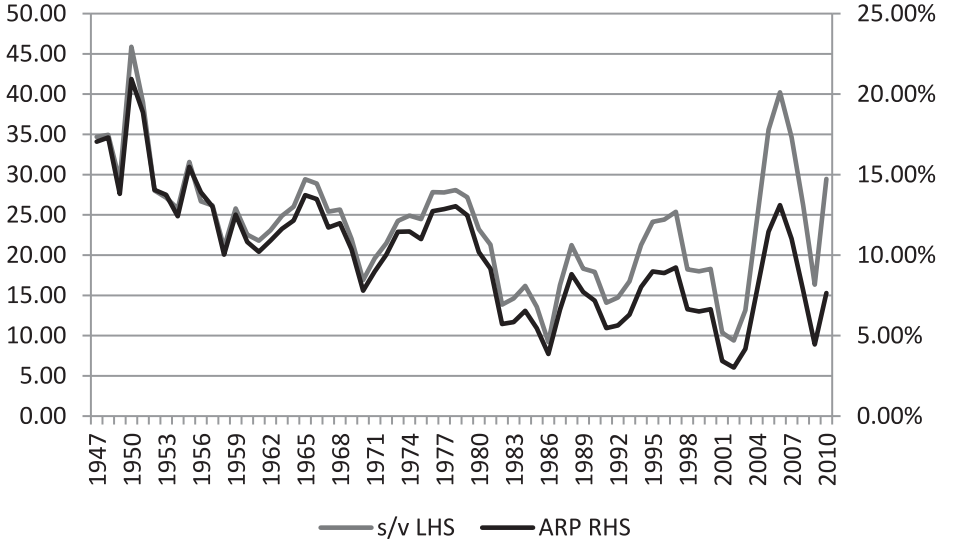


Figure 7 Rate of profit and rate of exploitation, US 1947–2010.
Source: G. Carchedi, 'Behind and Beyond the Crisis', *International Socialism*, 132 (October 2011).

higher employment), in Figure 8 both rates of exploitation and employment would rise. Yet employment decreased. *This graph invalidates the neo-liberal thesis that higher rates of exploitation create employment.*

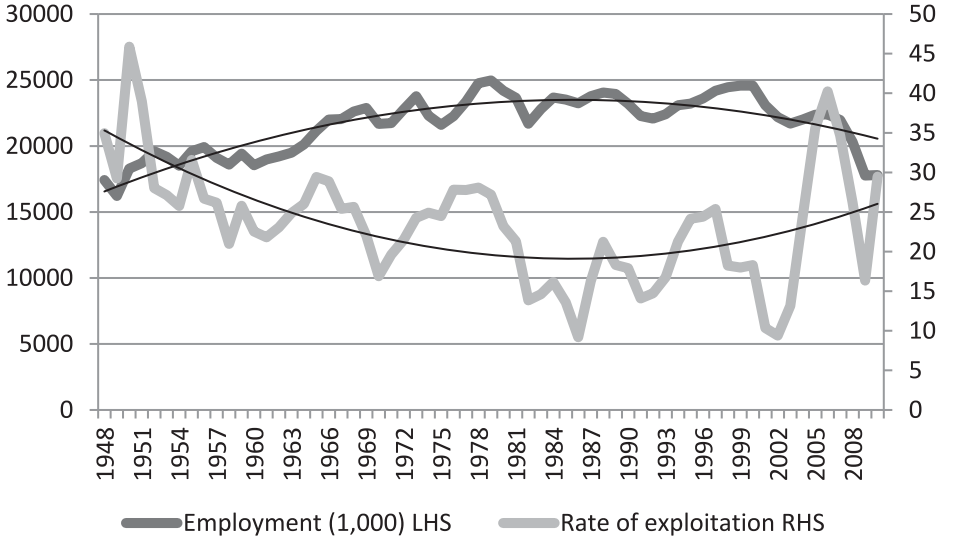


Figure 8 Employment and rate of exploitation, US 1948–2010.
Source: own computation.

If there is no relation of cause and effect between higher rates of exploitation and higher employment, why do they move in opposite directions as in Figure 8? The reason is that they both are the cause of a third variable, profitability. To see this consider Figure 9.

Starting from the second half of the 1980s, the ARP rose while employment fell. This is what the economists call a 'jobless recovery'. Yet how can the economy recover if employment (labour) falls? Is this really a recovery?

It is true that the rate of profit rises if the rate of exploitation rises. *Yet this is not to say* that, because of this higher profitability, the economy improves and exits the slump. The ARP can increase owing to a greater rate of exploitation, but because of falling employment this higher ARP can hide a decreasing *production* of surplus value per unit of capital invested and a greater share of this reduced new value accruing to capital. However, only the production of surplus value per unit of capital invested (not its greater appropriation by capital) indicates the state of health of the economy. We need a measure of the rate of profit based on the production rather than on the appropriation of surplus value. Such a measure can be obtained by computing the rate of profit with a constant rate of exploitation (Figure 10). Then the relation between the rate of profit (with constant rate of exploitation) and employment is as shown in Figure 11.

Starting from the mid-1980s, both employment and profitability fell. The greater ARP with a flexible rate of exploitation, as shown in Figure 2, *does not indicate a recovery*.

From the end of the Second World War to the present, the system produced increasingly less surplus value per unit of capital invested, a fact hidden by an increasing rate of exploitation (starting from the mid-1980s) but revealed if the rate of exploitation is kept constant. So the rise in the rate of profit with variable (increasing) rate of exploitation from the mid-1980s onwards does not indicate an improvement in the

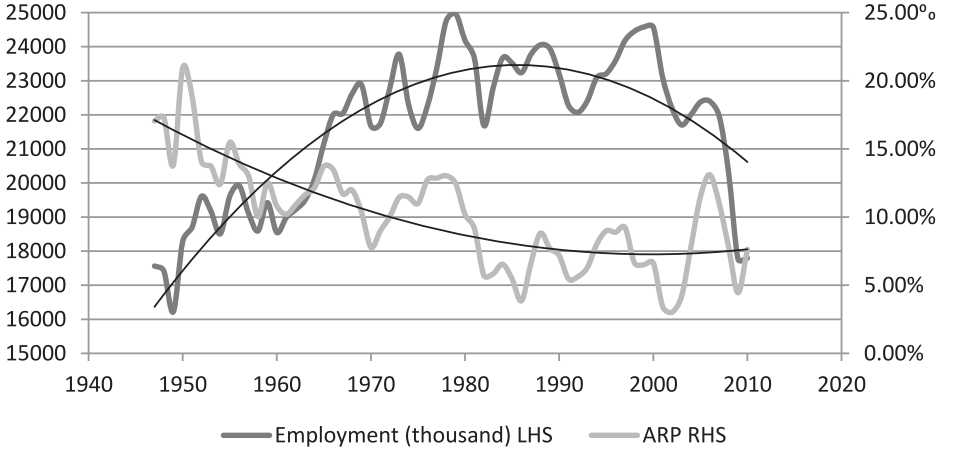


Figure 9 Employment (millions of units) and ARP, US, 1947–2020.
Source: own computation.

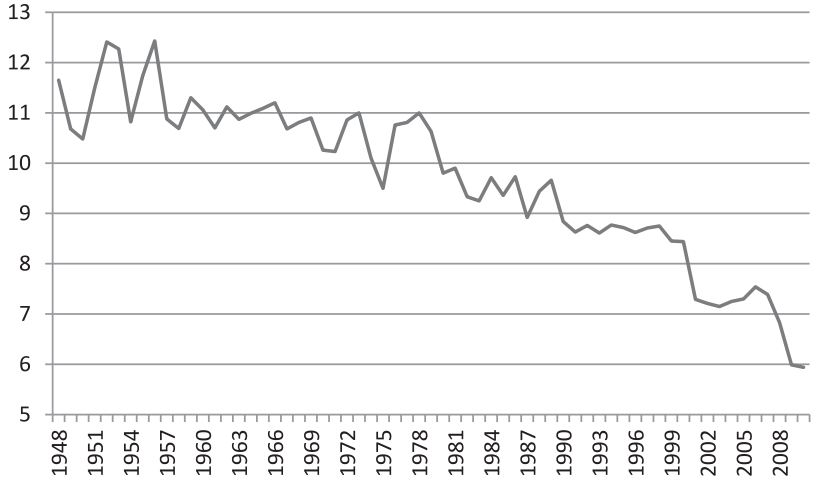


Figure 10 ARP with constant rate of exploitation, US 1947–2010.
Source: G. Carchedi, 'Behind and Beyond the Crisis', *International Socialism*, 132 (October 2011).

economy but hides its worsening, as revealed by Figure 10. The cake shrank while the slice going to capital grew.

Let us now consider the third counter-tendency. Owing to falling employment in the productive sectors, the purchasing power of the masses shrinks. At the same time, owing to falling profitability in those sectors, the greater surplus value owing to higher exploitation is not re-invested in those sectors. Consequently, capital

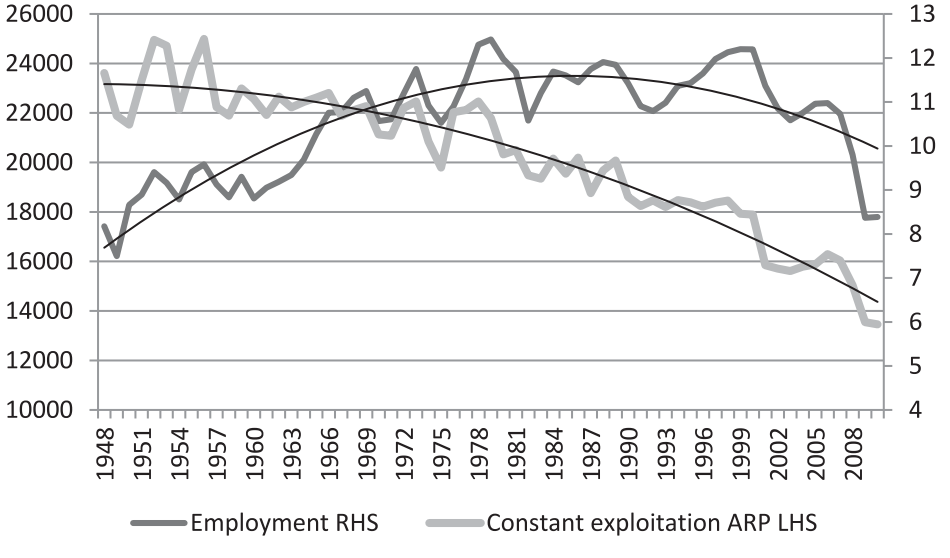


Figure 11 Employment and ARP with constant rate of exploitation.
Source: own computation.

migrates to the unproductive sectors: commerce, finance and property speculation. Yet profits in these sectors are fictitious, i.e. they are deductions from real profits—profits generated in the productive sectors. While in 1950 financial profits were 3.1 per cent of real profits, in 2010 they were 136.5 per cent.

Since financial profits grow at the cost of real profits, as a rule the former must be lower than the latter. As long as they exist only on the accounting books, financial profits do not eat into productive profits and can be higher than real profits. Yet the boundary to their growth comes when they are cashed in. As Figure 12 shows, financial profits were comfortably below real profits up to the beginning of the 1970s (a period relatively free from financial crises because of the expanded reproduction following the post-Second World War reconstruction), after which time they started getting dangerously close to real profits. From 2001 to 2005 financial profits were higher then real profits, a clear indication of the imminent financial disaster. When the crisis emerged, both financial profits and productive profits fell perpendicularly.

This movement to finance and speculation caused an explosive growth in global debt. In fact, the growth of fictitious profits implies the issuance of debt instruments (e.g. bonds) and of other debt instruments on the previous ones. The outcome is a mountain of interconnected debts (Figure 13).

Real money (called power money in the graph) is the representation of value, labour congealed in commodities. This is a very small percentage of the three forms of credit: bank credit, securitized debt and derivatives. Yet credit represents debt, not value, and thus is not money, even if it can have some of the functions of money.

The massive growth of debt and the concomitant financial crises are thus a consequence of the crisis in the productive sectors, i.e. the fall in the rate of profit with a

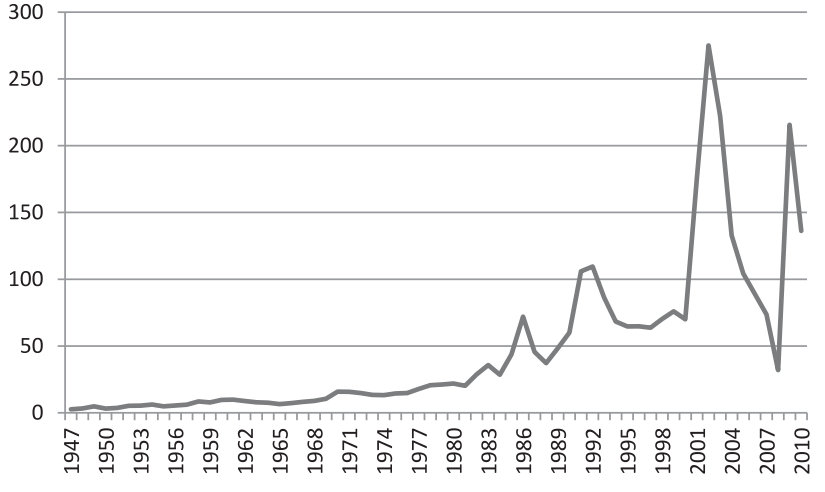


Figure 12 Financial profits as percentage of real profits.
Source: G. Carchedi, 'The Law of Value' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

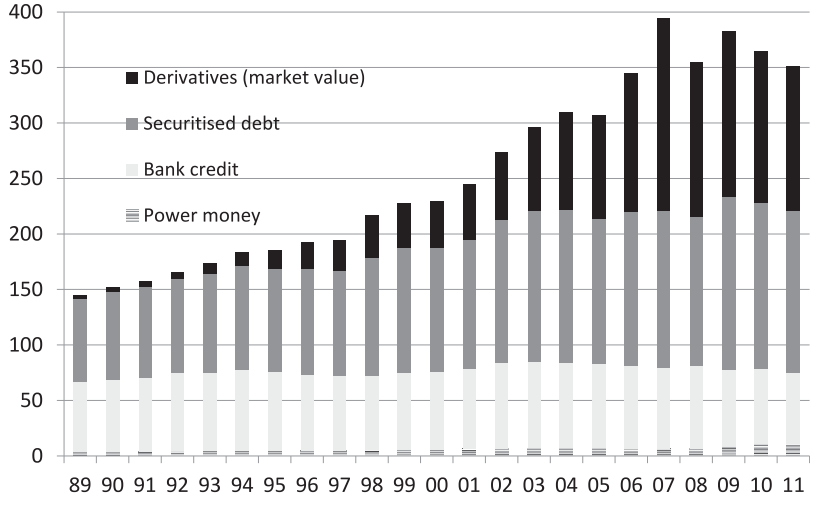


Figure 13 Money and debt as percentage of global GDP, 1989–2011.
Source: Michael Roberts, *The Great Recession* (Lulu).

constant rate of surplus value, and not their cause. This huge growth of debt in its different forms is the substratum of the speculative bubble and financial crises, including the next one. This third counter-tendency too can overcome the tendency only temporarily: the growth in the rate of profit owing to fictitious profits meets its own limit, recurring financial crises and the crises in the productive sector catalysed by them.

Capitalism is on a collision course with itself. The counter-tendencies are increasingly weaker:

(1) The share of the means of production to total value is growing—they are increasingly expensive instead of becoming cheaper.
(2) The increase in the rate of exploitation increases the rate of profit but this growth is 'doped' because it does not denote an increase in the surplus value produced per unit of capital invested, but hides its fall.
(3) The exponential growth in fictitious capital and profits inflates the speculative bubble and causes it to burst. This is the catalyst (not the cause) of the crisis in the productive sectors.

The writing is on the wall—on the one hand there is a persistent tendential and irreversible fall in the (global) profit rate, even if with counter-tendential jolts; on the other, there are the factors that will become the catalysts of this profitability crisis:

(1) The first signs of commercial wars, which would reduce international trade and thus first the realization and then the production of value and surplus value.

[6] Productive sectors, deflated data.

(2) The persistent growth in international debt and the inflation of the speculative bubble.
(3) Local wars, especially in or over the oil-rich countries, which can easily spread to wars among the great powers. The producers of weapons (in the dominant imperialist countries) would increase their profits but owing to the Marxist multiplier (see below) the ARP in those countries would fall and in the war theatres value and wealth would be destroyed.
(4) The growth in right-wing and ultra-nationalist parties and movements—also fanned by austerity measures—which form a cultural background congenial to military adventures.

It could be held that, if capitalism cannot rejuvenate in the advanced capitalist world, it could get a new lease of life in the so-called emerging economies. The fallacy of this argument is that the same contradiction marring capitalism in the advanced economies is part and parcel of the economies of the emerging countries: the contradiction between increasing labour productivity on the one hand and the shedding of labour inherent in the technologies imported from the technologically advanced countries of the West on the other. After a first period of enlarged reproduction, the tendency for the rate of profit to fall emerges again with its concomitant side effects. The West transmits its technologically caused disease to China, India and the rest. To mention only one example: the degree of dependence of the Chinese iron and steel industry on the technology of the advanced countries varies from 65 per cent for the production of energy to 85 per cent for the casting and transformation of semi-processed goods, to 90 per cent for the systems of control, analysis, safety measures and environmental protection.

Alternatively, it could be held that capitalism could go through a new phase of growth if Keynesian policies, i.e. either pro-labour redistribution or massive investments, were resorted to. The masses would augment their purchasing power and their level of living, but the ARP would rise, not because more surplus value is produced but because the previously unrealized surplus value is realized at the moment of sale. The losses owing to unsold commodities would progressively disappear. However, the *reduction of losses is not the production of more value and surplus value* per unit of capital invested. This is why pro-labour redistribution policies, as advocated by Keynesians, cannot be the way out of the crisis. If, in spite of lower profitability, pro-labour redistribution were to increase investments, the production of surplus value would be hindered by the Marxist multiplier (see below).

Pro-capital redistribution would be no solution either because, as argued above, it would hide the falling production of surplus value in the productive sectors. As for investments, who could finance them? Neither labour nor capital. Maybe the state could, but the state can appropriate the necessary value only from either labour or capital. Then the state has to resort to debt. However, debt is already very high and moreover further debt would further inflate the speculative bubble. The Keynesian answer is that the state could borrow the necessary funds (value) *temporarily* in

order to finance public (great) works of civilian investments. These investments would spur other investments in the private sector and these would spur still other investments, thus multiplying employment and profits. The economy would exit the slump. State revenues would increase and the state debt could be paid back. This is the Keynesian multiplier. Too bad it does not work.

Profitability moves not according to the Keynesian multiplier but according to the Marxist multiplier.[7] Let us review it. Let us distinguish between two categories of capitalists. The first are the capitalists who receive the state construction orders and who in their turn commission other capitalists. Let us focus on means of production, which in what follows encompass also semi-finished products and raw materials. Those who receive commissions for means of production are the capitalists who offer cheaper prices, and thus as a rule those whose workers are more productive because percentagewise more means of production than labour are employed. They are the more efficient capitals and thus the capitals that produce less value and surplus value per unit of capital invested. At each stage of the chain of investments, the more efficient capitals' employment might grow in absolute amounts but falls percentagewise, so that the average rate of profit falls. Employment might rise, but profitability falls.

The capitalists who form the second category are those who are excluded by the chain of investments resulting from the initial state expenditures. They produce the same means of production as those produced by the more efficient capitals, but with a higher unit price. The purchasers of those means of production will tend to buy them from the more efficient capitals because of their lower unit prices. Consequently, the less efficient capitals will have to lower their prices. Some might go bankrupt or might have to reduce the scale of their production. This category's profitability falls. The employment of this category falls. These are the capitals whose organic composition is lower and who produce more surplus value per unit of capital invested. The average rate of profit falls also on this account.

The process is similar within the international setting. If a nation's capital is less efficient than other nations' capitals, state investments in the former cause an increase in the demand for means of production, which however are imported from the more efficient foreign capitals. The effects on production and employment are lost to other nations. Then, a protectionist policy becomes increasingly tempting. This aside, the real weakness of state-induced investment policies is the fall in average profitability. When the chain of investments comes to an end, the net effect on employment depends on how much employment has been created by the more efficient capitals and how much employment has been lost by the less efficient capitals. However, the effect on the average rate of profit is clear; it is negative. This is substantiated by empirical verification: the correlation between government expenditures and the profit rate is strongly negative (−0.88) (Figure 14).

[7] See G. Carchedi, 'Could Keynesian Policies End the Slump? An Introduction on the Marxist Multiplier', *International Socialism*, 136 (October 2012); G. Carchedi and M. Roberts, 'The Long Roots of the Present Crisis: Keynesians, Austerians, and Marx's Law' in G. Carchedi and M. Roberts, *The World in Crisis*, in press.

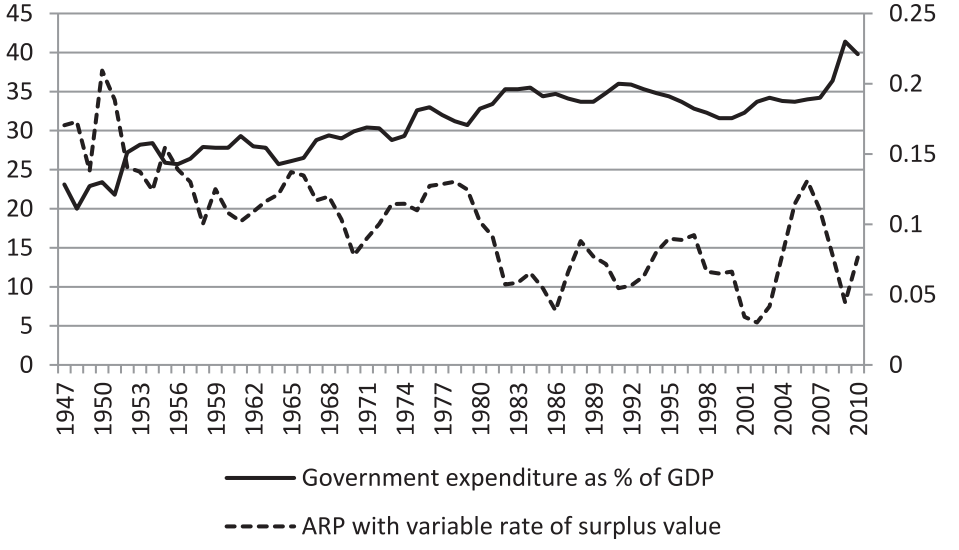


Figure 14 Government expenditures (percentage of GDP) and ARP with variable rate of exploitation.
Source: own computation.

This graph shows that, until the mid-1980s, growing government expenditure caould not reverse the fall in the ARP. The Keynesian thesis failed. From the mid-1980s onwards, the ARP grew together with growing government expenditures. However, the ARP grew because the rate of surplus value grew and not because of growing government expenditures. There is a way to show this. If the rate of surplus value is kept constant, the negative correlation holds for the whole secular period, including the neo-liberal period from the mid-1980s onwards (Figure 15).

From the end of the Second World War to the present, growing government expenditures have not reversed the tendential fall in the production of surplus value per unit of capital invested, which is the main indictor of the state of health of a capitalist economy. This result is replicated in each individual crisis: government expenditures rise from the year preceding the crisis to the crisis years in all 10 cases. They cannot avoid the crises (Figure 16).

The fallacy of the Keynesian reasoning is that it disregards the consequences of the government's investment policies for the average rate of profit. In spite of increasing government expenditures, at each cycle of induced investments the means of production grow more than labour so that profitability falls tendentially.

However, if government expenditures cannot avoid crises, could not they be the factor for exiting the crisis? The Keynesian thesis holds only if in the post-crisis year government expenditures grow together with the ARP. If government expenditures grow, but the ARP falls, the Keynesian recipe fails. If we consider the ARP with a variable rate of exploitation, government expenditures could be considered to have caused an increase

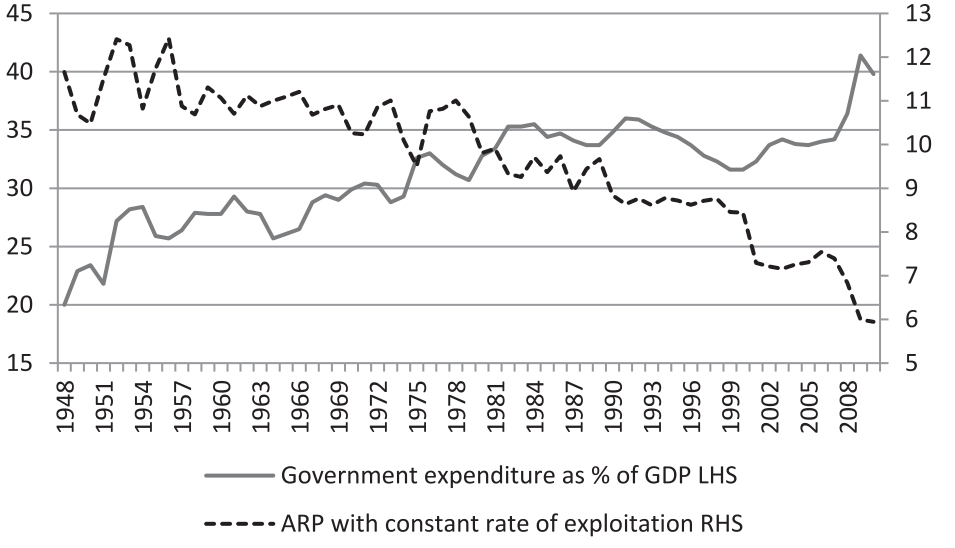


Figure 15 Government expenditures (percentage of GDP) and ARP with constant rate of exploitation.
Source: own computation.

in the ARP (the percentage differences are positive for both indicators) in only four out of 10 cases. The Keynesian thesis fails in the other six cases (Figure 17)

If we consider the ARP with a constant rate of exploitation, the thesis that the recovery is due to greater government expenditures fails in nine out of 10 cases and is

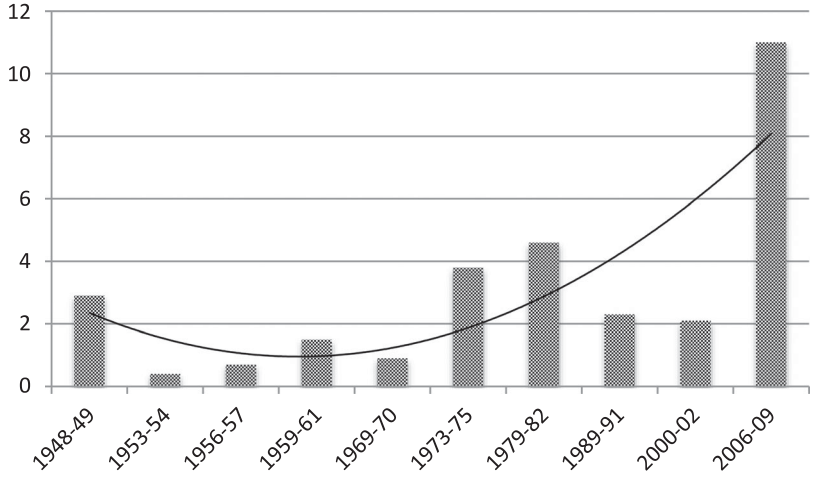


Figure 16 Government expenditure: differences in percentage points from the pre-crisis year to the last crisis year.
Source: own computation.

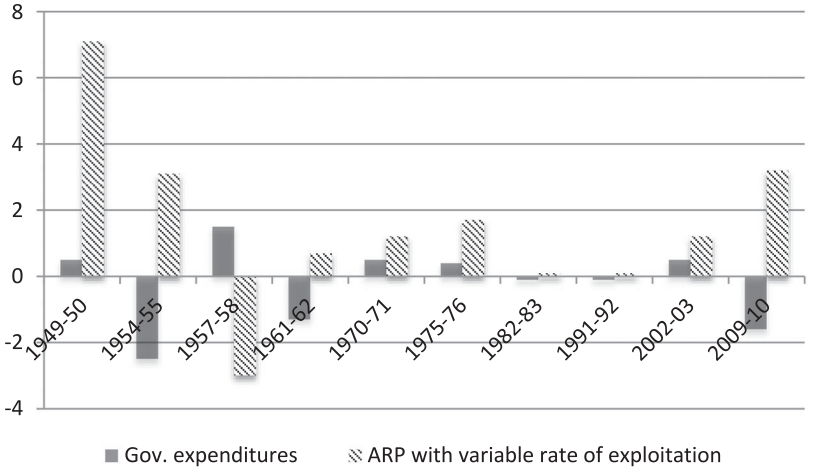


Figure 17 Government expenditure and ARP with variable rate of exploitation, percentage points differences, US.
Source: own computation.

empirically consistent with only the 1976 post-crisis year. In the other nine cases, an increase in government expenditures corresponds to a decrease in profitability (or vice versa) or has no effect on it. Keynesian investment policies do not increase the production of surplus value per unit of capital invested (Figure 18).

If both Keynesian and neo-liberal policies fail, the only way out of the crisis is that generated spontaneously by capital itself: its rejuvenation through a massive

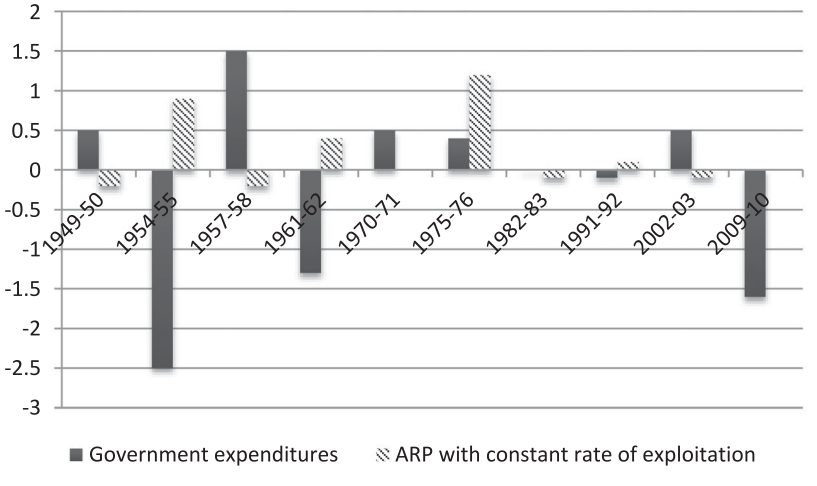


Figure 18 Government expenditures and ARP with constant rate of exploitation in percentage points differences, US.
Source: own computation.

destruction of its less efficient units. The world economies exited the 1929–33 crisis only with the Second World War. The story for the US was different from that of the other warring parties. In the US, destruction of capital meant principally the destruction and the regeneration of capital as the production relation, the relation between capital and labour. First, there was the transformation of the civilian economy, beset with high unemployment, low capacity utilization of the means of production and a falling rate of profit, into the war economy, characterized by full employment both of labour power and of assets, state-guaranteed realization of the output and a high level of both profitability and savings. This was the destruction of capital in the civilian sphere and its reconstitution as a military economy.

After the war, the economy was again reconverted into a civilian one. Capital was destroyed in the military sphere and reconstituted in the civilian one. Government expenditures as a percentage of GDP fell from about 52 per cent in 1945 to 20 per cent in 1948. The high level of labour savings guaranteed the purchasing power needed for the new consumption goods, which in their turn required the production of new means of production. A whole range of war-related inventions was applied to the production of new civilian commodities.

While in the US the productive apparatus remained unscathed, in the other belligerent nations there was a huge destruction of means of production and labour power. Capitalism was revitalized for a quarter of a century. Yet at what price? A quarter of a century of enlarged reproduction (the so-called Golden Age) was gained at the cost of tens of millions of dead, atrocious suffering and terrible poverty. This is what labour, in addition to financing the war, had to pay to give new vitality to the system.

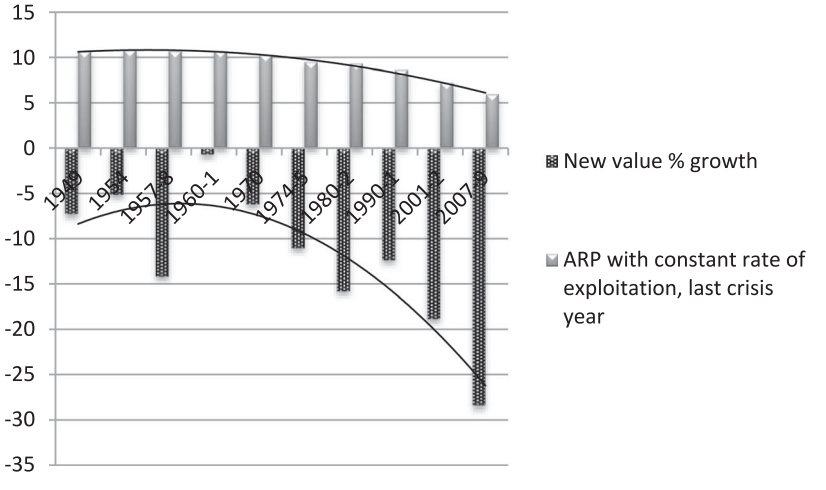


Figure 19 Cumulative percentage change in new value in crisis years and ARP with a constant rate of exploitation in the last crisis year.
Source: own computation.

Yet the Golden Age was free neither from falling profitability (the ARP with constant rate of exploitation fell from 12.43 in 1956 to 10.26 in 1970) nor from economic crises (there were five crises in this period; see Figure 19). However, the fall in the ARP was moderate and the new value produced actually rose for 10 years before falling. However, after the 1960–61 crisis, the fall both in the ARP and in the new value produced accelerated. The fall in the new value produced was particularly dramatic. The system entered a long downward phase in which crises became increasingly severe and whose end, after more than 45 years, is not yet in sight.

Are we approaching an inevitable breakdown, the end of capitalism? I do not think so. This is not in the nature of the beast. Capitalism will exit this long downward secular period, but only after a sufficient quantity of capital, both in the financial and in the productive sphere, has been destroyed.

At present, it is difficult to foresee how capital will self-destroy and the shape it will take in the new historical phase. What is clear is that this phase is increasingly exhausting its capacity to reproduce itself. It is dying. It might be replaced by a new phase of capitalism or by a superior society. However, this will not be possible without the intervention of working-class subjectivity. Without this, capitalism will rejuvenate and will enter a new phase in which its domination over labour might be even greater and more terrible. A condition for the emergence of this class consciousness is that the struggle by labour for better life and work conditions is fought from the perspective of an irreconcilable antagonism between capital and labour and not from the Keynesian perspective of class collaboration. Keynesian policies have not worked in the past and will not hold back the approaching end of this historical phase. This awareness is the condition for the rising of 'the new', as Gramsci put it, of labour as 'the full development of activity itself … [of the labourer's] rich individuality'.[8]

Statistical Sources

Profit rate: the profit rate is computed for the productive sectors at historic costs. The best approximation for these sectors is the goods-producing industries. These are defined as agriculture, mining, construction and manufacturing. The rate of profit is temporalist one: profits at time t_2 are divided by the capital invested at time t_1.

Profits: profits are from Bureau of Economic Analysis (BEA) tables 6.17A, 6.17B, 6.17C and 6.17D: 'Corporate Profits before Tax by Industry' (billions of dollars).

Fixed assets: their definition is 'equipment, software, and structures, including owner-occupied housing'. The data considered in this paper covers agriculture, mining, construction and manufacturing. Fixed assets were obtained from BEA, Table 3.3ES: 'Historical-cost net stock of private fixed assets by industry' (billions of dollars; year-end estimates).

[8] K. Marx, *Grundrisse*, transl. Martin Nicolaus (Harmondsworth: Penguin Books, 1973), p. 325).

Wages: wages for goods-producing industries were obtained from BEA, Table 2.2A and 2.2B: 'Wages and salaries disbursements by industry' (billions of dollars).

Employment in goods-producing industries: this was obtained from US Department of Labor, Bureau of Labor Statistics, series ID CES0600000001.

Profits, assets and wages are deflated.

Disclosure statement

No potential conflict of interest was reported by the author.