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From the ‘fall of the rate of profit’ in the *Grundrisse* to the cyclical development of the profit rate in *Capital*

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Abstract

Marx’s views on the “law” or “tendency” of the rate of profit to fall developed throughout his life from a law about the historical destination of the capitalist system as tending towards breakdown (the *Grundrisse* text of 1857–58), into a theory about the functioning of the capitalist mode of production as a (potentially) reproductive system (the 1864–65 manuscript of *Capital III*). The first view is compatible with a “naturalistic” and teleological philosophy of history; it presupposes a unilinear conception of time and implicitly posits a diachronic “exhaustion” of an originary rate of profit. The second view opens the way towards a type of “conjunctural analysis”, founded upon a cyclical notion of time as a synchronic intensification of contradictory articulations in a synchronically given system.

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Introduction

Written at the onset of a major world crisis of the capitalist mode of production, the incomplete yet internally systematic 1857–58 notebooks subsequently published as the *Grundrisse* provide us with a unique window onto Marx’s theoretical laboratory. This text brings together in an uneasy *modus vivendi* themes from Marx’s earlier work in the 1840s, while anticipating elements that will only reach full fruition throughout the successive drafts of *Capital*. Marx disturbs this *modus vivendi* via two approaches, which dialectically interact throughout his analysis: on the one hand, the method of immanent critique leads Marx to reformulate concepts derived from his previous study of political economy, a reformulation that sometimes amounts to fundamental conceptual transformation alongside the maintenance of the older terminology; on the other hand, Marx’s growing awareness of the potential durability and strength of the capitalist mode of production leads him to seek for more systematic conceptual determinations and explanations. In this perspective, the

significance of the *Grundrisse* is that it constitutes a *Kampfplatz* upon which we can observe the struggle between different elements of Marx's project. This struggle is perhaps nowhere more evident than in the treatment in this text of the "tendency of the rate of profit to fall," which has long constituted one of the most controversial elements of Marx's theory.

Marx's views on the "law" or "tendency" of the rate of profit to fall developed throughout his life from a law about the historical destination of the capitalist system as tending towards breakdown, into a theory about the functioning of the capitalist mode of production as a (potentially) reproductive system. The first view is compatible with a "naturalistic" and teleological philosophy of history; it presupposes a unilinear conception of time and implicitly posits a diachronic "exhaustion" of an originary rate of profit. The second view opens the way towards a type of "conjunctural analysis", founded upon a cyclical notion of time as a synchronic intensification of contradictory articulations in a synchronically given system. Both views compete on the *Kampfplatz* of the *Grundrisse*; while the former seems to maintain its dominance, Marx nevertheless also initiates in this text lines of reasoning that will lead to the increasing theoretical hegemony of the latter in subsequent texts. In its turn, this will permit Marx to elaborate a notion of the capitalist mode of production that breaks with both the teleological historicism of the young Hegelian movement in which his political thought was formed as well as the "naturalism" of classical political economy.

This thesis will be demonstrated by means of an analysis of three texts from different stages of Marx's intellectual development, beginning with the 1857-58 *Grundrisse*, passing by way of the 1861-63 manuscripts, and concluding with Marx's manuscript from 1864-65, which was later edited by Engels as part 3 of *Capital* III (1894). We will argue that the *Grundrisse*'s discussion of this theme shares presuppositions with Marx's (and Engels') earlier political positions in the 1840s. Furthermore, we will see that important statements in the *Grundrisse* on the profit rate issue do not appear in later texts. Nevertheless, we will also see that the *Grundrisse*'s immanent critique introduces important new perspectives that can be regarded – obviously, only in the *futur anterior* – as the conditions of possibility for the different statements on the rate of profit in the later texts. We will essay various possible political and theoretical reasons for this development and, in conclusion, suggest themes for future research that are raised by this analysis.

1. The "Law" of the rate of profit to fall in the *Grundrisse*

Marx discusses the "fall of the rate of profit" in the *Grundrisse* in the third section of the manuscript's last notebook (Notebook VII; 745-58), written in the early months of 1858. The text addresses (a) Ricardo's insufficient distinction between rate of surplus-value and rate of profit, and (b) the inverse relation between sum of profit and rate of profit. Marx presents these arguments in synthetic form in the first part of the section; its second half consists of comments on and textual analysis of Smith and Ricardo in particular (but also of Malthus, Carey and Bastiat) (pp. 751-58). In the first half, Marx argues:

“Presupposing the same surplus value, *the same surplus labour in proportion to necessary labour*, then, the *rate of profit* depends on the relation between the part of capital exchanged for living labour and the part existing in the form of raw material and means of production. Hence, the smaller the portion exchanged for living labour becomes, the smaller becomes the rate of profit. Thus, in the same proportion as capital takes up a larger place as capital in the production process relative to immediate labour, *i.e.* the more the relative surplus value grows — the value-creating power of capital — the more *does the rate of profit fall*.”

It is only after having set out this inverse relation that Marx uses the term “law” in relation to the profit rate:

“This is in every respect the most important law of modern political economy, and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint. It is a law which, despite its simplicity, has never before been grasped and, even less, consciously articulated.” (748)

Marx then sets out how “the development of the productive forces” is accompanied by a relative “decline of the part of the capital ... exchanged for immediate labour” (the concept of “organic composition of capital” is not explicit in this text, though it is implicit in Marx’s discussion of the inverse relation between relative surplus value growth and profit rate fall). This process, *i.e.*,

“the development of the productive forces brought about by the historical development of capital itself, when it reaches a certain point, suspends the self-realization of capital, instead of positing it. Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation [becomes] a barrier for the development of the productive powers of labour. When it has reached this point, capital, *i.e.* wage labour, enters into the same relation towards the development of social wealth and of the forces of production as the guild system, serfdom, slavery, and is necessarily stripped off as a fetter. The last form of servitude assumed by human activity, that of wage labour on one side, capital on the other, is thereby cast off like a skin, and this casting-off itself is the result of the mode of production corresponding to capital; the material and mental conditions of the negation of wage labour and of capital, themselves already the negation of earlier forms of unfree social production, are themselves results of its production process.” (749)

Immediately following, Marx explicitly inscribes his reflections under the banner of “crisis”.

“The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital *not by relations external to it*, but rather as *a condition of its self-preservation*, is the most striking form in which advice is given it to be gone and to give room to a higher state of social production.” (749–50; emphasis added.)

A few lines later, he returns to this theme. The invitation to capital to leave politely has now taken on the tone of a menacing inevitability.

“These contradictions [of development of the powers of production] lead to explosions, cataclysms, crises, in which by momentaneous suspension of labour and annihilation of a great portion of capital the latter is violently *reduced to the point where it can go on*. ... Yet, these *regularly recurring catastrophes* lead to their repetition on a higher scale, and finally to its violent overthrow.” (750; emphasis added)

The last sentence in particular would seem to point to a trend-wise development of the fall of the profit rate, the accumulation of “regularly recurring catastrophes” finally descending into “violent overthrow”.

Marx does indeed seem to lessen the impact of this crisis rhetoric somewhat when he speaks in the immediately following lines of “moments” that may “delay” the fall in the rate of profit. Among these he includes the devaluation of existing capital, transformation of capital into fixed capital not directly involved in production, unproductive waste of capital, lowering of taxes, reduction of ground rent and the creation of new branches of production. However, these factors only *delay* this trend fall; they do not negate it. It remains a “law” that leads, *via* repetition, to the “overthrow” of the capitalist mode of production.

We may conclude from this discussion that in the *Grundrisse* Marx adopts the view of a “trend fall” in the profit rate.¹ Its presuppositions are the unfolding throughout time of the immanent contradictions of production founded upon capital, which progressively reduce the rate of profit. The momentary “delay” of the diminution of the originary quantity of the rate of profit does not prevent its ultimate “exhaustion”. When it is finally depleted, the capitalist mode of production comes to an end – violently.

2. The *Grundrisse*’s “crisis”, “law” and “immanent critique”: critical remarks

Several elements of Marx’s analysis of the fall of the rate of profit in the *Grundrisse* should here be noted.

(i) As we have seen, Marx regularly deploys metaphors and terms throughout this text that can be characterized as a “rhetoric of crisis.” This “apocalyptic” vision bears decisive similarities to the general young Hegelian atmosphere in which Marx passed his student years in Berlin, particularly as articulated in Bruno Bauer’s early political theory (a strong influence on Marx in his formative years).² However, there is an important difference between these different uses of the theme of crisis, in terms of both their political context and their theoretical field of reference.

Marx and the young Hegelians more generally elaborated a theory of *political* crisis in the years leading up to 1848. This theory attempted to identify a political agent capable of resolving the crisis in a positive form, *i.e.*, the supersession of what the *German Ideology* refers to as “all the old shit” (*den ganzen alten Dreck*) (MECW vol. 5, 70). Already in the closing pages of the text now known as *Towards the*

¹ On the difference between “trend” and “tendency,” cf. Reuten, 1997 and 2004.

² On Bauer’s political theory and his influence on Marx, cf. Tomba, 2002.

Critique of Hegel's Philosophy of Right. Introduction, Marx had identified this agent as the “proletariat.” With the failure of the revolutions that coincided with the publication of the *Communist Manifesto*, the defeated “48ers” tried to keep their hopes alive for a revival of this “world-historical” subject. Fidelity to (the memory of) the theme of crisis, in the midst of widespread abandonment of revolutionary politics by their contemporaries, constituted one of their most potent psychological supports.³

The *Grundrisse*'s deployment of similar motifs in the discussion of the fall of the profit rate, on the other hand, explicitly does *not* invoke a directly political agent. Marx confines his analysis to the internal determinations of capital as such. The “violent overthrow” occurs as a result of the working out of the inner laws of capital, conceived as a (self-destructive) subject. It is not an agent acting against the destructive *effects* of the capitalist mode of production's recurring crises that overthrow it, but capital itself as *causa sui* that prepares its own downfall. Arguably, Marx has here committed the error of too rapidly “translating” terminology from one field to another (*i.e.*, from political to economic theory), without attending to their substantially different contexts. While such haste may be unexceptional in notes written for personal use, their (re-)introduction into Marxian discussions of crisis theory following the publication of the *Grundrisse* provided support for an interpretation of *Capital* III in particular that neglected its *systematic* analysis of the capitalist mode of production.

(ii) It is sometimes not remembered that the “law” of the fall of the profit rate was not a theoretical novelty introduced by Marx.⁴ On the contrary, Marx inherited it from the problematic of classical political economy, where it plays a decisive role in the thought of Smith and Ricardo in particular. As Marx notes in the *Grundrisse*: “A. Smith explained the fall of the rate of profit, as capital grows, by the competition among capitals” (751).⁵ Ricardo had found Smith's explanation of the law inadequate, but rather than abandoning it, he proposed his own explanation: “The falling rate of profit hence corresponds, with him [*i.e.*, Ricardo], to the nominal growth of wages and real growth of ground rent” (752).⁶ In both Smith and Ricardo, the rate of profit is conceived as an originary quantity, which is subsequently

³ Cf. Kouvelakis, 2005 for an analysis of the legacy of 1848 in Marx's later political career.

⁴ Heinrich, 2007 provides a valuable historical perspective on contemporary discussions.

⁵ Marx responds to Smith thus: “Competition can permanently depress the rate of profit in all branches of industry, *i.e.*, the average rate of profit, only if and in so far as a general and permanent fall of the rate of profit, having the force of a law, is conceivable prior to competition and regardless of competition. Competition executes the inner laws of capital; makes them into compulsory laws towards the individual capital, but it does not invent them. It realizes them. To try to explain them simply as results of competition therefore means to concede that one does not understand them.” (752)

⁶ Marx describes this as Ricardo's “one-sided mode of conceiving it [*i.e.*, the falling rate of profit], which seizes on only one single case, just as the rate of profit can fall because wages momentarily rise etc., and which elevates a historical relation holding for a period of 50 years and reversed in the following 50 years to the level of a general law, and rests generally on the historical disproportion between the developments of industry and agriculture” (752). He later adds sarcastically that as far as the law of the falling rate of profit is concerned, Ricardo “flees from economics to seek refuge in organic chemistry” (754).

corrupted and depleted by the development of capitalist production. Just as the fertility of soil is conceived as a natural “given” quantity, so the “fructiferous” nature of capital (revealingly, Marx’s title for this section) can be exhausted by the decline of the profit rate to an absolute minimum.

Marx was of course well acquainted with these versions of the “law”, as his extensive comments on Smith’s and Ricardo’s explanations testify. Marx subjects these views to immanent critique in the *Grundrisse*; at this stage, however, his thought remains indebted in many key respects to their general problematic. This is perhaps most noticeable in Marx’s maintenance of the term “law” of the fall of the profit rate, and his linking of this law to the notion of an “exhaustion” of the capitalist mode of production by the repetition of debilitating crises. The problem remains, as a subject for future research.

(iii) Despite its lingering crisis rhetoric and indebtedness to the problematic of classical political economy, the *Grundrisse* nevertheless also demonstrates Marx’s first tentative departure from this “naturalist” paradigm. He is not satisfied by Smith’s and Ricardo’s explanations of this “most important law of modern political economy” because they do not grasp the fall in the rate of profit as an inner and necessary determination of capital. Hence he comes up with his own explanation for a fall in the rate of profit: namely, a rise in productivity. He thus reformulates that “law” as one of a combined decrease of the rate of profit and increase of the mass of profit. This perspective will remain central to all the other manuscripts, albeit in increasingly clarified formulations.

Even more importantly, as a consequence of this “reformulation” of the “law” in terms of an inverse relation between profit rate and amount, Marx also sketches out in the *Grundrisse* another element that will be further developed in later manuscripts: namely, the notion of factors that “delay” the fall of the rate of profit. As we will see, it is the redefinition of these “delays” in terms of “tendency” (conceived as “operative power” rather than empirical trend) that will open the way to Marx’s linking of an increase in productivity, (potential) growth of the exploitation of labour and a notion of crises as “restorative” or *aufhebende* (sublating, rather than merely destructive) mechanisms.

3. 1861–63 Manuscript

We can now move on to Marx’s 1861–63 manuscripts (*MEGA* II, Bd 3, Teile 1–6, 1976–82).⁷ A second main text on the (tendency of the) rate of profit to fall can be found in Section 7 of Marx’s Notebook XVI, dated December 1861–January 1862. This text – even more so than the *Grundrisse* – has much the character of notes intended to aid the author’s understanding.

Marx once again refers to the “law” as “the most important law of political economy” (*MECW* 33, 104). However, his definition immediately qualifies this law as “a tendency [of the rate of profit] to fall with the progress of capitalist production” (*MECW* 33, 104). Then, Marx inquires into the reasons for this tendency of the general rate of profit to fall. He notes that the “whole of the Ricardian and

⁷ All citations are taken from the English translation by Ben Fowkes, *MECW* 33 (1991), 104–145.

Malthusian school is a cry of woe over the day of judgment this process would inevitably bring about”, before arguing that

“apart from theory there is also the practice, the crises from *super abundance of capital or, what comes to the same, the mad adventures capital enters upon in consequence of the lowering of {the} rate of profit. Hence crises – see Fullarton – acknowledged as a *necessary violent means for the cure* of the plethora of capital, and the *restoration* of a sound rate of profit.* (MECW 33, 105; emphasis added).⁸

“*Necessary violent means for the cure* of the plethora of capital”; “*Restoration* of a sound rate of profit”. The crises are no longer repeated “on a higher scale,” leading finally to the capitalist mode of production’s “violent overthrow,” as in the *Grundrisse*. Rather, “in practice”, crises function as a corrective measure, which restore a “sound rate of profit” and thus presumably permit capital accumulation to begin once again (in a cyclical theory of upswing and downswing).

After analyzing factors that might cause the general rate of profit to fall, especially (1) “if the absolute magnitude of surplus value falls” and (2) “because the ratio of variable to constant capital falls”, Marx states: “But the law of development of capitalist production (see Cherbuliez, etc.) consists precisely in the continuous decline of variable capital ... *in relation* to the constant component of capital. ...” (MECW 33, 106). Clearly, this reformulates in more developed terms a perspective already present in the *Grundrisse*. Marx then continues to argue that: “The tendency towards a fall in the general rate of profit therefore = the development of the productive power of capital, *i.e.*, the rise in the ratio in which objectified labour is exchanged for living labour.” The “tendency towards a fall in the general rate of profit” is now no longer seen, as in the *Grundrisse*, as the gravedigger of the capitalist mode of production. On the contrary, it is now equivalent to “the development of the productive power of capital”. Marx argues that this development “implies, at the same time, the concentration of capital in large amounts at a small number of places” (107–8). This is followed by an explicit statement about two factors that work against each other, that is, the rate of surplus-value and the composition of capital:

“Both movements not only go {hand in hand} but condition each other. They are only different forms and phenomena in which the same law is expressed. But they work in opposite directions, in so far as the rate of profit comes into consideration.” (MECW 33, 109)

Subsequently, Marx indicates that “for the rate of profit to remain the same”, these factors “would have to grow in the same ratio”, and continues: “This is only possible within certain limits, and that it is rather the reverse, the tendency towards a fall in profit – or a *relative* decline in the amount of surplus-value hand in hand with the growth in the rate of surplus-value – which must predominate, as is also confirmed by experience.” (MECW 33, 110)

⁸ Passages between asterisks appear in English in the German manuscript. Passages in curly brackets are added by the MEGA editors; often they are reconstructions of illegible handwriting.

Further on, we read that an increase in the exploitation of labour can in a certain sense “delay” the fall of the rate of profit, to use the terminology of the *Grundrisse*; expressed in other terms, it “absorbs” some of the tendency to fall of the profit rate.

“If one considers the development of productive power and the relatively not-so-pronounced fall in the rate of profit, the exploitation of labour must have increased very much, and what is remarkable is not the fall in the rate of profit but that it has not fallen to a greater degree.” (MECW 33, 111)

Finally, Marx combines the *Grundrisse*’s distinction between the amount and the rate of profit with this focus upon an increase in the exploitation of labour. He concludes this most systematic part of his presentation with the following summary:

“The decline in the average rate of profit expresses an increase in the productive power of labour or of capital, and, following from that, on the one hand a heightened exploitation of the living labour employed, and [on the other hand] a *relatively reduced amount of living labour* employed at the heightened rate of exploitation, calculated on a particular amount of capital.” (MECW 33, 111)

“It does not now follow automatically from this law that the *accumulation* of capital declines or that the absolute *amount* of *profit* falls (hence also the *absolute*, not *relative*, *amount* of surplus-value, which is expressed in the profit). (MECW 33, 111)

The remainder of the text (113–45) is an analysis of the connections between the relevant concepts: rising labour productivity together with a rising organic composition of capital; and rising rate of surplus-value, profit and the rate of profit. In general the text is unsystematic, petering into a series of undeveloped notes and jottings. The general impression this manuscript gives is that Marx is searching for a new conceptual framework. What is remarkable is that the “breakdown” perspective so central to the *Grundrisse*’s analysis is entirely absent from this text.

4. 1864–65 Manuscript (manuscript of *Capital III*)

Finally we can turn to the parts of Marx’s manuscripts from 1863–67 that deal with the rate of profit, dating from 1864–65 (they were later edited by Engels for publication as *Capital III* in 1894). These manuscripts were only published in German in the *MEGA* in 1992. The first pages of the manuscript are similar to the published text of *Capital III*; for convenience’s sake we will cite the 1894 text and refer to the 1864–65 manuscript in order to indicate significant variations.⁹

Marx begins by setting out a hypothetical example of a falling profit rate. Then he writes: (1) this as a tendency is what we perceive in reality (F, 318); (2) it is what the economists perceived and have tried to explain (F, 319). Next, Marx shifts the emphasis to what he apparently sees as a kernel of capitalist development: first, accumulation and concentration of capital along with rising productivity of labour,

⁹ We adopt the following shorthand references in this section: M = Marx 1894M = German manuscript transcription of 1992; E = Marx 1894E = German text of 1894 as edited by Engels; U = Marx 1894U = German text of 1894 in the English Untermann translation of 1909; F = Marx 1894F = German text of 1894 in the English Fernbach translation of 1981.

and second, a fall in the *rate* of profit along with a rise in the *amount* of profits (M, 291, 298, 300). To him, *this* seems to be the law: the inverse relation of mass and rate of profit (recall that since the *Grundrisse*, he has indicated this as the sphinx's riddle that classical political economy could not resolve).

After this, Marx immediately moves to the counteracting tendencies (the text of Chapter 14 in the published version of *Capital* III). In F, 336-7 (cf. M, 319) Marx writes: "Viewed abstractly, the rate of profit might remain the same. ... The rate of profit could even rise, if ..." (F, 336-7; cf. M, 319).

Directly following this formulation, Engels added: "In practice, however, the rate of profit will fall in the long run, as we have already seen" (F, 337; cf. U, 230), a phrase that seems inconsistent with Marx's general line of argument in the manuscript text.¹⁰

When Marx sets out the counteracting forces/tendencies at the end of this chapter, he repeatedly indicates that these do "not annul the general law," but make it operate as a tendency (F, 341). He also says that the latter "to a greater or lesser degree paralyze" its operation (F, 344; M, 304, 306). This is again repeated in a conclusion on page 308 in M (F, 346). Finally, he argues that: "The law operates [*wirkt*] therefore simply as a tendency, whose effect [*Wirkung*] becomes strikingly pronounced only under particular circumstances and when extended out over long periods [*auf lange Perioden ausgedehnt*]" (F, 346, trans. modified; cf. E, 249; U, 239; M, 308).

After this, Marx's manuscript (M, 309-40) returns to "his" formulation of the law: namely, the proposition that increases in productivity of labour *via* an increase in the organic composition of capital result in a combined increase of the amount of profits and a decrease of the rate of profit. "The law that a fall in the rate of profit precipitated [*herbeigeführte*] by the development of productiveness is accompanied by an increase in the mass of profit. ..." (M, 316; cf. U, 225-6; cf. F, 332; E, 236). The *Grundrisse*'s inverse relation of profit rate and amount is here continued (cf. M, 322; F, 356). However, it is now the development of productivity that precipitates a fall in the rate of profit.

Next, Marx amplifies the issue of the depreciation of capital. One page further, though, he puts this in a different light, first rephrasing the issue in terms of a contradiction, then developing it into periodical crises. Significantly, these crises are conceived, as in the 1861-63 manuscript, in terms of restoration, rather than the "overthrow" of the *Grundrisse*:

"Simultaneously with the fall in the profit rate, the mass of capital grows, and hand in hand with it goes a depreciation of the existing capital, which checks this fall and gives an accelerating impulse to the accumulation of capital-value. Simultaneously with the development of productivity, the composition of capital becomes higher, there is a relative decline in the variable portion as against the constant. These different influences may at one time operate predominantly side by side spatially, and at another succeed each other in time; periodically [*periodisch*] the conflict of antagonistic agencies finds vent in crises. The crises

¹⁰ For an analysis of this and similar modifications of the text made by Engels and the support this gives to a trend fall interpretation, cf. Reuten 2004, 172 *et seq.*

are always but momentary violent solutions of the existing contradictions — violent eruptions — which restore the disturbed balance.” (M, 323; E, 259; F, 357; U, 249; trans. modified)

The theme of restoration is emphasized in the next pages of Marx’s manuscript on overproduction, over-accumulation and devaluation of capital. He writes: “Under all circumstances, however, the balance will be restored by the *destruction of capital* to a greater or lesser extent.” (M, 328; cf. E, 264; F, 362; U, 253)

As if to underscore the point, Marx finally sets out how crisis and its aftermath restores the rate of profit.

“And so we go round the whole circle once again. One part of the capital that was devalued by the cessation of its function now regains its old value. But, with expanded conditions of production, a wider market and *increased productivity*, it will once again go through the same vicious circle [Zirkel vicieux].” (M, 329; emphasis added; cf. E, 265; F, 364; U, 255)

As in the 1861–63 manuscript, the law of the fall of the profit rate and its crisis do not issue in the overthrow of the capitalist mode of production; on the contrary, we have a cycle (or “vicious circle”) of decrease and increase (“restoration”) of the rate of profit that, insofar as the productivity of labour is thereby increased, may even be a ruse by means of which the capitalist mode of production strengthens its future potential capacity for the exploitation of labour.

By the time of the *Capital* III manuscript, therefore, the naturalistic and unilinear paradigm of classical political economy has been decisively left behind. The profit rate is no longer viewed as an originary quantity doomed to progressive exhaustion as it passes through time, following a secular trend fall within and across conjunctures. Instead, its cyclical rise and fall within a given economic conjuncture is theorized as a qualitative intensification of the contradictory articulation within the capitalist mode of production of increases in productivity, the exploitation of labour and the growth of capital by means of the expropriation of surplus-value. Rather than the “law of the tendency of the rate of profit to fall” (TRPF), a more appropriate name for Marx’s “law/tendency” might therefore be the “theory of the rate of profit cycle” (TRPC). In this perspective, economic crises don’t signify the capitalist mode of production’s automatic end, but rather, only one of the possible conjunctural resolutions of its recurring immanent contradictions, in which an increase in productivity can give rise to a decrease in the rate of profit. This constitutes the *economic* confines or limits (*Schranke*) of the capitalist mode of production (M, 332; cf. E, 268; U, 258; F, 367), but does not prescribe its potential political *Schranke*.

5. Theoretical and political reasons for the reformulation of the “Law”

Why did Marx undertake this reformulation of “the most important law of political economy”? Several hypotheses can be considered.

(i) Marx, having seen the durability of the capitalist mode of production and its ability to withstand the crisis of the late 1850s, slowly begins to see the need to rethink his central concepts. In the *Grundrisse*, he remains under the spell of the memory of 1848 and its expected world-transforming “deluge” (as he wrote to

Engels in a famous letter on December 8, 1857). In the 1860s, on the other hand, he revises his crisis rhetoric and focuses much more on a systematic analysis of the capitalist mode of production. This hypothesis is fundamentally *political* in nature; *i.e.*, it sees the cause of theoretical reformulation in the revision of political perspectives.

However, as we have seen, already in the *Grundrisse* Marx has laid the theoretical foundations that could lead – not inevitably, but possibly – to his reformulation in the later manuscripts. While he first strongly criticizes the “naturalist” presuppositions of classical political economy in his main arguments, his conclusion then problematically transfers a political theory of crisis onto the terrain of political economy. The two elements of his argument are based upon opposed presuppositions; their uneasy *modus vivendi* in the *Grundrisse* has the potential to grow into a contradiction with further study and reflection.

(ii) Marx was led to reformulate the law of the falling rate of profit more for *theoretical* than for political reasons. His method of immanent critique in the *Grundrisse* has already reformulated a key aspect of the “traditional” law, distinguishing between amount and rate of profit, and between rate of profit and rate of surplus-value. As the *Grundrisse* is primarily a compilation of notes for private use, Marx does not yet reformulate the “law as such”; but he is on the verge of a decisive theoretical development.

While there may be some good textual reasons to support this second hypothesis, it underemphasizes the extent to which Marx’s reformulation of the law remains only a “work in progress” in the *Grundrisse*. In particular, it neglects the fact that in 1857–58 Marx has not yet clearly distinguished between a quantitative trend fall and the fall of the rate of profit as a “tendency” or “operative power.” Furthermore, it does not take into account the importance of the 1861–63 and 1864–65 manuscripts’ articulation of the falling profit rate with the increase in productivity and thus the potential for a higher rate of exploitation of labour. Marx cannot yet fully explain why and how the capitalist mode of production might use cyclical upswings and downswings, despite the temporary destruction of capital, as a “ruse” for the quantitative growth of its hegemony over labour in succeeding conjunctures *via* increased potential productivity.

(iii) Marx sought to confront the political problem of how to respond to the crisis of the late 1850s by deepening his theoretical reflection. Inheriting this “most important law of modern political economy” and dissatisfied with the capacity of previous formulations to explain theoretically what occurs “in practice,” Marx abandons the naturalism of classical political economy and formulates the law in relational rather than quantitative terms (*via* the elaboration of the distinction between surplus-value and profit). At this stage, however, he can ultimately find no better solution than the invocation of a memory of a previous political conjuncture in order to explain the purpose of crises in the capitalist mode of production (its “overthrow”).

As his critique deepens in the manuscripts of the early 1860s, however, he attempts to grasp crises “as such,” *i.e.*, in terms of their internal functioning. He reformulates the falling rate of profit as a tendency that is equivalent to the development of the productive power of capital, and articulates this with an increase in the potential of capital to exploit labour. The tendency of the rate of profit to fall

now figures as an operative power in the production of crises, which are conceived as but one possible moment in any given cycle of accumulation, a moment by means of which capital prepares itself to “go through the same vicious circle” once again. The result of Marx’s reformulation of the “law” is therefore the abandonment of an eschatological theory of crisis and emphasis upon the concrete analysis of capital’s increased potential to exploit labour in the course of any given conjuncture. This seems to us to be the most satisfying hypothesis, which takes into account the intertwining of both political and theoretical reasons in Marx’s reformulation.

Themes for future research: conclusions

In conclusion, we would like to enumerate briefly some themes for future research that arise from this textual analysis.

(i) The first concerns the relative weight in Marx’s intellectual development of his debt to classical political economy, on the one hand, and his debt to Hegel, on the other. According to a well known narrative, Marx inherited from Hegel a “philosophy of history” whose teleological dimensions constituted a profound impediment to the development of a scientific analysis of the capitalist mode of production, regardless of however much he may have benefited from Hegel in other respects. Of course, this view has been challenged by many in recent years, but its continuing purchase in the field of Marxian theory can be attested to by the favourable recent reception of a work such as Jacques Bidet’s *Exploring Marx’s “Capital”* (2007, 3 *et seq.*). Bidet argues that Marx found in Hegel an “epistemological support/obstacle”, which he attempted progressively to overcome. Based upon this analysis of the treatment of the fall of the rate of profit in the *Grundrisse* and subsequent manuscripts, however, we might suggest that more attention could be directed towards the “epistemological supports/obstacles” that Marx found in the concepts of classical political economy. No less than Hegel’s system, classical political economy was founded upon its own “naturalistic” and sometimes teleological presuppositions, albeit culturally and conceptually distinct from those of post-Hegelian philosophies of history. Future research could examine more closely the intertwining of Marx’s attempts to liberate himself from the deleterious philosophical/historiosophical dimensions of both paradigms.

(ii) A second theme for future research might be the importance of the rate of profit for an analysis of the relationship between politics and economics in Marx’s mature critique of political economy. The “law” was often interpreted in the 20th century in an “economistic” fashion as implying the automatic production of political effects (overthrow of the capitalist mode of production) from economic causes (crises produced by trend decline in rate of profit). As we have seen, certain elements in the *Grundrisse*’s discussion of the theme certainly seem to support this perspective, while the later manuscripts directly contradict it. They are limited to an analysis of the economic confines or limits (*Schranke*) of the capitalist mode of production. An explicit analysis of political responses to this situation lies beyond the scope of Marx’s mature critique of political economy, as “unfinished business” for future Marxian research.

Nevertheless, Marx's articulation of the fall in the profit rate with increases in productivity and the exploitation of labour takes us to the verge of properly political analysis. By focusing on the concrete analysis of each individual conjuncture, it provides us with knowledge of the limits within which capital and therefore *a fortiori* labour are forced to operate in the capitalist mode of production. Future research could attempt to take up this unfinished business by analysing further the already political nature of the economic limits of capital. This fundamentally concerns the juridical guarantees of profits in the capitalist mode of production and therefore private property of the means of production as its foundation.

(iii) Finally, a third theme for future research concerns the implications of this analysis for contemporary debates regarding the tendency of the rate of profit to fall and the nature of the contemporary conjuncture. The "second Brenner debate" had already focused many theorists' attention on the question of the fall in the profit rate as a possible explanation for recent economic trends; the financial crisis that began in 2008 has witnessed a deepening and diffusion of this tendency.¹¹ While not taking up a position on these debates in this paper, we suggest that the analysis of Marx's different texts discussing the fall in the profit rate provides a powerful critical perspective from which to consider both these debates and the contemporary conjuncture more generally. In particular, the findings in this paper might alert us to the possibility that the current crisis may be merely another of capital's ruses, as it prepares the way for a restoration of a sound rate of profit in a future "vicious circle"; indeed, the various crisis "management" programs deployed by different governments over the last years would seem to indicate that some political forces, at least, are aiming at precisely such a "pacific" resolution to the contemporary forms of the deep systemic conflicts that have continually been generated by the capitalist mode of production throughout its history. In this context, more attention needs to be devoted to the analysis of the extent to which and ways in which the current crisis may become functional to capital's increase in its hegemony over labour *via* increases in potential productivity. Such an analysis is the necessary prelude both to a critique of the explicitly *political limits* that enable the renewal of such a "vicious circle," and to the exploration of the political forms and practices that would be necessary to overcome not merely those limits but the capitalist mode of production in its totality.

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¹¹ Brenner, 2002 and 2006, have stimulated wide-ranging debates in which the fall in the profit rate has figured as a central point of contention. Harman, 2007, focuses in particular on this concept for an analysis of the current world economy.

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