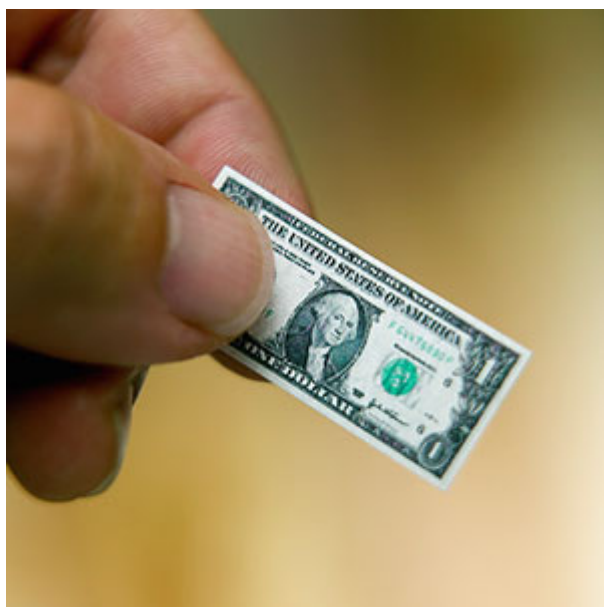


# The Real Movement

*Communism is free time and nothing else!*

## The Falling Rate of Profit, Class Struggle and the State

by Jehu



(<https://therealmovement.files.wordpress.com/2014/04/inflation.jpg>) After coming across David Yaffe while reading Simon Clarke's book, *The State Debate* (<http://libcom.org/files/statedebate.pdf>), I figured I would give a paper he wrote with Paul Bullock, "*Inflation, the Crisis and the Post-War Boom*" (<https://www.marxists.org/subject/economy/authors/yaffed/1979/icpwb.htm>), a once over. This paper, written in 1975, attempts to understand the depression of the 1970s through the lens of labor theory. I find it interesting because the authors make this rather bold, and in retrospect, horribly mistaken pronouncement:

*"No nation's currency can displace money of the world, gold, as the final means of international payments."*

The weirdest thing about this Yaffe and Bullock paper, however, is that it already has the explanation for the 40 years persistence of the dollar as "world money" and why, consequently, the writers were wrong:

*"As the crisis of overproduction of capital deepens, capital cannot be reproduced since commodities cannot be sold at their prices of production, capacity is underutilised and workers are unemployed."*

The only thing they had to do was remove their blinders and recognize overproduction was now a permanent feature of the world market. If there is overproduction of corn, the state can step in and buy the corn with its inconvertible fiat. This does not imply unequal exchange of a valueless token for a commodity precisely for the reason that the corn, cannot otherwise be sold and, therefore, must have no exchange value at all. Since the corn has no exchange value, it can be purchase with a "money" that has no value. Likewise, if there is overproduction of everything at once, the same can be done — since the paper can be created in any quantity.

Yaffe and Bullock write,

*"credit financed expenditure and state deficit financing ... enables unemployment to be kept at politically acceptable levels."*

This statement is ambiguous at best. Politically acceptable to whom? And what is meant by the term 'politically acceptable'? Well, they offer this idea:

*“The survival of the capitalist system becomes a political struggle between the ruling class and the working class, as the ruling class attempts to restructure capital towards greater profitability.”*

So there is this struggle between the capitalists and the workers, but is this all? What about the competition among capitalists and the competition among workers? **Marxism is all about struggle between classes, but ignores competition within classes. And they ignore this latter conflict even though the conflict within classes determines the conflict between classes.**

How does this cripple the analysis of the authors? The action of the state is not determined by the class struggle, but by competition within the capitalist class. Keeping employment to “acceptable levels” through credit financed expenditure and state deficit financing may also address the need of the workers to sell their labor power, but it is in no way the preferred policy of the fascist state on this account. Rather, the state chose to address unemployment in this fashion because it addresses the need of the capitalists for constant expansion of absolute surplus value.

To put it in terms our Marxists might just be able to pound into their thick fucking skulls: **you can address unemployment either by constant expansion of employment through credit financed expenditure and state deficit financing or by simply reducing hours of labor. The first allows for the increase in absolute surplus value; the second does not. Now why do you think the capitalist state chose the first method? If competition within the working class could have been reduced and their organization and fighting capacity improved, which method of addressing unemployment do you think they might have chosen — falling into debt in order to secure basic subsistence or reducing hours of labor?**

Yaffe and Bullock had all the information they needed to understand fascist state economic policy, but they could just not connect the dots: First, they knew the crisis is caused by overproduction; second, they knew this leads to intensified class struggle — although they ignore conflict within classes; third, they know the problem began with “the near continuous crisis conditions of the inter-war period”; fourth, they know Keynes solution to this was to depreciate the currency against gold, or “a policy of ‘price rises’”; fifth, they know this entailed, “expansion of production through credit financed expenditure and state deficit financing.”

Finally, they know the theoretical task of the day:

*“To show how the central tendency of the rate of profit to fall can express itself as inflation and eventually stagflation”*

This theoretical task, they divide into two parts: a. “to examine how the capitalist experiences this tendency and attempts to maintain profitability by increasing prices.” and b. “to consider how these prices set by the individual capitalist can be realised – that is how commodities can be sold – exchanged for money – at these prices.”

Needless to say that when it comes to the second task: FAIL! And sure enough: **The collapse of Bretton Woods is presented as the US devaluation of the dollar — not as the dollar replacing gold:**

*“The higher productivity and, therefore, growing economic power of Japanese and German capital forcibly and belatedly expressed itself in the devaluation of the dollar in 1971.”*

Now here is the thing: Yaffe and Bullock already knows **Keynes proposed beating a depression by depreciating the currency in the 1930s — so depreciation this has been going on the entire time from the 1930s to 1971, when the Bretton Woods agreement collapsed. The collapse of Bretton Woods, therefore, could not be about devaluing the dollar. Devaluation of the dollar was already a means to fight overproduction — a reaction to overproduction of capital throughout the world market.**

This real depreciation of the dollar had led to collapse of the Bretton Woods agreement, not the reverse; which is to say, the US could no longer maintain the fiction of the official peg of 35 dollars to one ounce of gold. This was already clear through most of the 1960s, when the US and Britain conspired to manipulate the gold market. So, the collapse of the Bretton Woods agreement and the subsequent rapid collapse of the purchasing power of the dollar against gold is not the real story. The story is how, despite this collapse, the dollar remained the world reserve currency.

When the US stopped redeeming its valueless and rapidly depreciating currency for gold, why — in god's name — did other countries continue to accumulate dollar reserves? Why did they continue to sell crap to the US in return for a currency that was not only valueless in and of itself but collapsing in purchasing power.

Simple: They had no choice. Who else was going to buy their crap? Remember: There was a depression in the 1930s — lots of unsold commodities (i.e., capital in the form of commodities) and massive unemployment. Keynes proposed to fight the depression by depreciating the currency; depreciation ultimately leads to the end of the Bretton Woods agreement. But — and this is the problem — overproduction of capital did not go away: there was still a lot of crap that would be unsold and a lot of people unemployed if the depreciation of the currency did not continue.

The reason why other countries continued to accumulate dollars is that unless they did they could not sell their exports! These countries could sell their exports to the US only so long as the US continued to depreciate the dollars — i.e., exchange valueless tokens for commodities lacking any exchange value. And, to avoid hyperinflation these dollars had to be sterilized — which meant, the US had to borrow back the very dollars it paid out to purchase the goods it bought from export nations. Thus, when the world market exits the depression of the 1970s, the twin US trade and national deficits exploded.

Yaffe and Bullock had all the information they need to explain this in 1975 but could not connect the dots — although their explanation in 1975 was still light years ahead of Holloway and Picciotto's in the mid-1980s.

There has to be a reason why so many Marxists — Holloway, Picciotto, Yaffe, Bullock, Caffentzis, etc — of so many different varieties of Marxism all managed to miss what was going on despite their alleged differences. And this reason cannot be because they did not have the analytical tools or empirical information to connect the dots. I personally think the reason why they all missed it was their obsession with the idea of class struggle.

For Marxists the capitalist mode of production may change form, but despite these changes, it goes on forever. In their view, the only interruption of this mostly cyclical reconstitution of capital is the class struggle that finally overthrows capital. So all of their focus is really on the class struggle, not the capitalistic process itself. They care about the mode of production only to the extent it acts as a predictor (a trigger) for an upsurge in the class struggle.

Second, no one has ever really worked out what it means when gold is replaced by inconvertible fiat currency as money. For all Marxist claims about the superiority of labor theory, they sheepishly adopt the bourgeois point of view that anything can be money. Money is the starting and ending point of the entire process of capitalistic self-expansion. What is serving in the role of money, therefore, is extremely important to the character of appropriation of surplus value.

If instead of commodity money, we now have a valueless token controlled by the state serving as money, this has deep implications for the mode of production. And if this valueless token is serving as "world money" the implications are staggering: Essentially, for the entire world market, capitalist self-expansion begins and ends with a token controlled by one fascist state.

Now, just think about what that means for Yaffe and Bullock's statement:

*"No nation's currency can displace money of the world, gold, as the final means of international payments."*

History refuted Yaffe and Bullock: one national currency actually can and did replace gold as final means of international payments, because overproduction never went away.

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## 7 Comments to "The Falling Rate of Profit, Class Struggle and the State"

**Jahan** says:

*April 10, 2014 at 1:14 am*

Hey Jehu, I'm posting a reply I gave to a friend on Facebook, looking forward to your response.

I agree with Jehu that overproduction never went away, but that's a standard Marxist viewpoint – tha even the academics he criticizes maintain. I disagree with the falling rate of profit argument from the academic Marxists (Yaffe/Clarke), but the reasons are totally different. Jehu has some fundamental problems in his critique (I also replied to Jehu):

First off, Marxism does not "ignore competition within the capitalist class." In fact, there's a reason why Marx talks about the petit-bourgeois, bourgeois, lumpenproletariat, lower/upper strata of the ruling class, various layers of both the working class and ruling class, etc... the whole point of analyzing capitalism for Marx was to talk about all levels of competition within the classes. The evidence is all there in his writings, I really don't see how Jehu came to the conclusion that we are obsessed with a homogenous view, unless he's talking about something he found from one of the academics, then that would make sense because academics under capitalism depend on state money, so they don't exactly come to very revolutionary conclusions or accurate ones most of the time – that would hurt their jobs.

Also, jehu references to the "fascist state" a lot. This is dangerous. If we lump fascism into any form of government that is totalitarian in some shape or form, then we won't be able to differentiate between a government that is actually fascist (nazi Germany 1930's, Mussolini in Italy, etc...) as compared to governments that are authoritarian in another manner. In my experience this is an typical mistake anarchists make, and it often results in a complete and fundamental misunderstanding of how to deal with fascist tendencies when they come about – but more importantly, not knowing how to deal with authoritarian capitalist governments that are not fascist. Define fascism, before using the term, that's key.

In response to the academics he says the actions of the state are "not determined by the class struggle, but by competition within the capitalist class". In this statement he's referring to the expansion of credit. But he actually doesn't understand what the academics are saying. They are saying the survival of capitalism depends on the ruling class expanding credit to maintain employment levels up – but this is intrinsically part of a class struggle. They, they need to make profits, but why? If those profits are not made and then invested back into production, then capitalism goes into crisis, hence class struggle. So it's absolutely necessary for capitalists to keep

their system healthy, give off concessions to the working class, etc.. otherwise they're screwed. Very basic misunderstanding by Jehu.

I'm still developing my understanding of the falling rate of profit, and looking further into other concepts related to Marxist economics. But I thought I'd point out these basic mistakes Jehu makes in his attempt to be hostile to Marxism. I hope Jehu responds to my blog post, I respect his critique.

#### REPLY

**Jehu** says:

*April 10, 2014 at 7:54 am*

My criticism of Marxists is not in any sense a criticism of Marx.

The objection to my use of the term fascist state is that you Marxists believe you can, in some limited fashion, adapt the state of the capitalist to the aims of the working class. You cannot. So stop trying to. The state is the capitalist: It is not "a tool" of the capitalists. It is not "an instrument" of the capitalists. The state is the capitalist. You need to remind yourself of this morning, noon and night. There is no room for reforms within a fascist state — and all states today are fascist states. (BTW, fascism has nothing to do with the bourgeois concept of "authoritarianism". The classical Marxist predicted socialism or barbarism — fascism is barbarism.)

Second. I am not referring to credit when I say the state is not determined by the class struggle. The class struggle is between two classes, while the development of the capitalist state is determined by the needs of **one** of the classes in that class struggle — but not the other. The state cannot, under any conceivable circumstances, represent the interest of the working class. The working class alternative is not to seize the state on its behalf, but to break it. To replace the state with its own association. Marxists don't want to address this necessary task, because they think it is bad politics.

Third, my point with overproduction is that it is not just a theoretical construct, but one with real world implications. It means production on the basis of exchange value has finally and completely broken down — just as Marx predicted. Since overproduction never went away, the need to depreciate the currency never went away. Thus, Yaffe and Bullock were proven wrong. Further, overproduction not going away means we now face absolute overproduction. How does Marx define absolute overproduction of capital? Absolute overproduction of capital means no increase in the total capital invested can add to profits. Which means no increase in social hours of labor can add to profits. Which means also all economic growth (so-called) and all increase in employment results only in superfluous labor time — labor time that produces no additional capital.

I am not hostile to Marxism — Marxists are hostile to critically examining their weak grasp of labor theory.

#### REPLY

**Jahan** says:

*April 12, 2014 at 8:58 pm*

Hey jehu, apologies for the delayed response, I'm studying for a test at the same time.

"My criticism of Marxists is not in any sense a criticism of Marx."

Good, as a Marxist myself I criticize Marxists who misinterpret Marx – which is why I respect your blog post and see educational value in discussing with you – hopefully for both of us and others as well. I'll briefly answer some points; we can go further in detail



later (I added key readings at the end of each point):

On the State:

Yes, the state is an instrument of the capitalists but also inherently a tool for the suppression of 1 class over another. So the question is how do we destroy it? The simple answer is for workers to take it over, use it to suppress the ruling class and in this process it will whither away (popularly misinterpreted phrase). But realize a strong emphasis on what 'class' maintains control. This is the ONLY way to "break" the state itself. Historical examples, like the heroic, yet tragic Paris Commune 1871 will show you why this is so important. A revolution does not get rid of the state overnight, that's an unfortunate mistake anarchists make and have repeated for generations, there is a process that takes place.

But by process I don't mean "reforms". I don't believe "progressive reforms" can abolish capitalism or make it "better" – that's the opinion of utopian Marxists, utopian socialists and utopian leftists in general. So I agree with you that we need revolution over reforms, but a revolutionary process unlike reforms, is an effective transition of power –and in this transition includes the appropriation of the schools/military/police/media/government/etc... all the institutions that are used to oppress us, in the hands of the working class. In this process, as we educate ourselves to run society, we will find no need for it. We will develop a society that can run everything socially, rather than relying on the chaotic capitalist market and its oppressive instruments.

\*Key Reading\*: 'State and Revolution' by Lenin. Written underground, while Lenin's life was in danger, weeks before the successful October 1917 revolution. It contains lessons/writings from Marx and Engels. More importantly it's written by a revolutionary who put the ideas into action on a scale never seen in human history – thus far). I'm guessing you may be hostile to Lenin, but we can go into why the Bolsheviks were completely different than the tyrannical Stalinist regime – as well as other reasons why the revolution ended in blood/totalitarianism. I urge you to consider this to understand the role of the state.

On Fascism:

Fascism is simply a mass movement of the petit-bourgeois (small property owners/middle class). It is not the same as any capitalist authoritarian state. This is different than Bonapartism, which is military dictatorship, not consisting of mass support from a mass base of petty bourgeois. In other words, in the 1920s-30s Hitler's Germany and Mussolini's Italy thrived as fascist dictatorships because there were a lot of petty bourgeois existing in those countries. Today, political parties like Golden Dawn in Greece and neo-nazi factions are incredibly weak compared to bonapartist states. 'Bonapartist' dictatorships are made up of wealthy bureaucrats/leaders – fascists dictatorship are made up of mainly middle class, with peasant/working class support following. But all of this is due to the weakness of the left. After a revolution if the problems of masses of people is not resolved, fascism thrives (ex. Ukraine today, although fascism is still very weak there – and also Greece – but the party only has like 2k members). Both bonapartism and fascism are also different than capitalist governments in developed countries like the United State, where the government has a powerful relationship with capital, not relying on the naked bonapartist military generals or petty-bourgeois leaders.

\*Reading\*: 'Fascism: What it is and how to fight it' Trotsky. This was written less than 10 years before Stalin (bonapartist dictator) assassinated Trotsky for carrying genuine Marxist

ideas forward.

On Marx's labour theory of value:

You're right that overproduction it is not a theoretical construct, sadly that's what academic Marxists who disassociate themselves with the real world think. Overproduction, the falling rate of profit and the labour theory of value itself deserve a more in depth discussion – because the academics clearly haven't got it right – but I also want to make sure you don't make the opposite mistake of thinking Capitalism has "completely broken down". Yes, we are in the deepest crisis of capitalism in history, due to overproduction and all the other contradictions of capitalism combined. But Capitalism does not have a final crisis, it eventually recovers through war or austerity. Today this means decades of austerity and destruction to humanity. I want to give a more elaborate response to this subject, but I've written a lot and need some time to study.

\*Readings\*: 2 short pieces: 'Value Price and Profit' and 'Wage Labour and Capital' by Marx. (Obviously the entire 'Capital' itself is something worth tackling with time ).

**communistsneversleep** says:

*April 10, 2014 at 2:39 pm*

" The working class alternative is not to seize the state on its behalf, but to break it. To replace the state with its own association. Marxists don't want to address this necessary task, because they think it is bad politics."

No, it's just that no theorist, Marxist or otherwise, has a fucking clue as to how this might practically develop.

REPLY

**Jehu** says:

*April 10, 2014 at 8:07 pm*

In that case I am really confused by Marxists. This is not really difficult at all. The only important issue since the Great Depression has been the reduction of hours of labor. Control over the productive forces of society in association begins with control over the duration of our labor time.

REPLY

**communistsneversleep** says:

*April 10, 2014 at 8:22 pm*

If you are correct that, in the context of universalized competition, social producers can only ever act according to their own atomized interests as individual workers navigating an internecine labor market (in order to secure as much compensation as can be scraped up), how do you suggest they could ever be convinced to struggle for fewer hours?

**Jehu** says:

*April 11, 2014 at 7:47 am*

Because less work for an individual is in every individual's interest *as an individual*. It does not require they see a class interest.

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