falling rate of profit The law of the falling rate of profit expresses the results of Marx's analysis of the basic forces which give rise to the longterm rhythms of capitalist accumulation: long periods of accelerated growth which are necessarily followed by corresponding periods of decelerating growth and eventual widespread economic convulsions. The Great Depression of the 1930s was one such period, and according to some Marxists the capitalist world once again hovers on the brink. It should be noted that this sort of generalized economic crisis (see ECONOMIC CRISES) is quite different from shorter term cyclical fluctuations such as business cycles, or partial crises caused by specific events such as crop failures, monetary disturbances, etc. Business cycles and partial crises are explained by more concrete factors, and their rhythms are superimposed, so to speak, on the longterm one (Mandel 1975). The fact that they may trigger a general crisis when the underlying conditions are ripe only emphasizes the importance of first analysing the underlying movements themselves.

The driving force of capitalist activity is the desire for profits, and this compels each individual capitalist to battle on two fronts: in the labour process, against labour over the production of surplus value; and in the circulation process, against other capitalists over the realization of surplus value in the form of profits. In the confrontation with labour, *mechanization* emerges as the dominant form of increasing the production of surplus value, whereas in the confrontation with other capitalists it is the *reduction of unit production costs* (unit cost-prices) which emerges as the principal weapon of competition.

In brief, Marx argues that more advanced methods of production will involve larger, more capital intensive plants in which at normal capacity utilization the unit production costs will be lower. Greater quantities of fixed capital per unit output are the *primary means* through which economies of scale are achieved. Because larger-scale plants enable a given number of workers to process a greater amount of raw materials into a correspondingly greater amount of product, both raw materials and output per unit of labour tend to rise together. At the same time, the greater amount of fixed capital per unit output implies higher depreciation charges and higher auxiliary materials costs (electricity, fuel, etc.) per unit output. Thus for more advanced methods, the higher capitalization (capital advanced per unit output) implies higher unit non-labour costs (unit constant capital c) while the higher productivity implies lower unit labour costs (unit variable capital v). On balance, the unit production cost $c + v$ must decline, so that the latter effect must more than offset the former. Under given technical conditions, as the limits of existing knowledge and technology are reached, subsequent increases in investment per unit output will call forth ever smaller reductions in unit production costs. This, it can be shown, implies lower transitional rates of profit for the lowest cost methods, and hence (from the Okishio Theorem), a falling general rate of profit.

It can be shown that the above pattern implies that the more advanced methods tend to achieve a lower unit production cost at the expense of a lower rate of profit. Competition, nonetheless, forces capitalists to adopt these methods, because the capitalist with the lower unit costs can lower his prices and expand at the expense of his competitors – thus offsetting his lower *rate* of profit by means of a larger *share* of the market. As Marx notes, 'each individual capital strives to capture the largest possible share of the market and supplant its competitors . . .' (*Theories of Surplus Value*, pt. II, ch. XVII). In terms of Marxist categories the above process can be shown to imply that the organic composition of capital will rise faster than the rate of surplus value, even when real wages as well as the length and intensity of the working day are constant, so that the general rate of profit falls independently of any impetus on the part of labour (Shaikh 1978, 1980).

Marx notes that various counteracting influences act to slow down and even temporarily reverse the falling rate of profit. Higher intensity of exploitation, lower wages, cheaper constant capital, the growth of relatively low organic composition industries, the importation of cheap wage goods or means of production, and the migration of capital to areas of cheap labour and natural resources can all act to raise the rate of profit by raising the rate of exploitation and/or lowering the organic composition of capital. But precisely because these counter-tendencies operate within strict limits, the secular fall in the rate of profit emerges as the *dominant tendency*.

A falling rate of profit leads to a generalized crisis through its effect on the mass of profit. On already invested capital, any fall in the rate of profit reduces the mass of profit; on the other hand, accumulation adds to the stock of capital advanced and thus adds to the mass of profit so long as the new capital's rate of profit is positive. The movement of the total mass of profit therefore depends on the relative strengths of the two effects. But a falling rate of profit progressively weakens the incentive to accumulate, and as accumulation slows down the negative effect begins to overtake the positive one, until at some point the total mass of profit begins to stagnate. It is in this phase that the crisis begins, though of course its specific form is conditioned by concrete institutional and historical factors. It should be noted, incidentally, that the above process implies a 'long-wave' in the mass of profit, which first accelerates, then decelerates, stagnates, and eventually collapses in the crisis. The phenomena of long-waves in capitalist accumulation can therefore be explained by a *secular* fall in the rate of profit, as opposed to (say) a rising-and-falling rate of profit as in Mandel (1975).

Opponents of this theory generally argue that, in the bourgeois economic notion of 'perfect competition', such a process is logically excluded, and that in any case the empirical evidence does not support it. In either case it is easy to show that neither conclusion holds up once the neo-classical economic theory and/or data upon which they base themselves are critically examined. (Shaikh 1978, 1980; Perlo 1966; Gordon 1971. Perlo is a Marxist and Gordon an orthodox economist; both find that the conventional method of estimating the capital stock seriously underestimates it, and this in turn implies a serious overestimation of the rate of profit).

Ceteris paribus, higher wages and improved working conditions directly lower profits and also spur further mechanization, thereby doubly intensifying the built-in tendency for the rate of profit to fall. However, as Marx emphasizes, these and other struggles focused on reform of the system necessarily operate within strict limits arising from profitability, mobility of capital, and (world-wide) competition, and therefore remain constrained by the basic dynamics of capitalist accumulation. A similar argument can be made for the limits of state intervention.

Each crisis precipitates wholesale destruction of weaker capitals and intensified attacks on labour. These are the system's 'natural' mechanisms for a recovery. Each succeeding recovery in turn results in more concentration and centralization, and generally lower long-term rates of profit and growth. Thus, though the contradictions worsen over time, *there is no final crisis until workers are sufficiently class conscious and organized to overthrow the system itself* (Cohen 1978, pp. 201–4). (See also CRITICS OF MARXISM; ECONOMIC CRISES.) AS

Reading

Gordon, R. 1971: 'A Rare Event'.

Mandel, E. 1972 (1975): *Late Capitalism*.

Perlo, V. 1966: 'Capital Output Ratios in Manufacturing'.

Shaikh, A. 1978: 'Political Economy and Capitalism. Notes on Dobb's Theory of Crisis'.
— 1980: 'Marxian Competition versus Perfect Competition'.
— 1982: 'Neo-Ricardian Economics: A Wealth of Algebra, A Poverty of Theory'.

false consciousness. *See* ideology.

family Marxist analysis of the family is still dominated by Engels's *The Origin of the Family*. Engels argued that the bourgeois family rested on a material foundation of inequality between husband and wife, the latter producing legitimate heirs for the transmission of property in return for mere board and lodging. He described this relation as a form of prostitution, contrasting mercenary bourgeois marriage with the 'true sex love' allowed to flourish in a proletariat where husband and wife attained an equality of exploitation through wage labour.

This analysis has been subjected to criticism on every possible count, but it remains a uniquely materialist account of the family and has the considerable merit of attempting to explain the different family forms characteristic of different classes. Engels's account, however, is based on the dubious evolutionary anthropology of L. H. Morgan, underplays the palpable domination of men in the proletarian family as 'residual', and fails to consider the domestic division of labour and the burdens imposed on women undertaking a 'double shift' of wage labour along with childcare and housework at home.

Notwithstanding such criticisms, the main points of Engels's observations form the basis of official family policy, as Molyneux (1981) has argued, in the Marxist-Leninist tradition. The USSR may stand as a model for these policies. An emphasis on drawing women into productive labour is combined with social provision of childcare facilities and an official ideology that exalts the 'working mother'. Lenin himself argued for the socialization of housework but, as feminist critics (see FEMINISM) point out, such socialization was never understood as involving men undertaking domestic chores. In this respect the Cuban Family Code, enjoining husbands to share housework and childcare equally with their wives, represents a unique development in socialist reformulation of the family.

Marx himself did not develop an analysis of the family independently of that produced by Engels, and indeed the evidence suggests that his own conception of the family was naturalistic and uncritical. Without defending his assumptions Marx tends to imply, in his discussion of wages and the reproduction of labour power, for instance, that workers are male and that women and children are simply a threatening source of substitution and cheap competition.

In Marxist thought as a whole the family occupies a vexed position. The *Communist Manifesto* calls for 'the abolition of the family', but such calls have tended to be transmuted into the far weaker project of abolishing the bourgeois family in favour of a proletarian, socialist, family. Such a 'socialist family' has tended to rest on an assumed heterosexual serial monogamy, and falls far short of critiques of the family in more general radical thought. Marxist thought on the family has therefore tended to be less uncompromisingly critical than utopian socialist, libertarian, anarchist and feminist positions.

Marxist analysis of the family in the twentieth century finds its high point in the recognition by the FRANKFURT SCHOOL that the family is a *social* institution and ideology, despite all the appearances of its character being private. Debates in the 1950s and 1960s tended to descend to popular conundrums as to whether the family had been 'taken over' by the state or was in 'decline'.

Recent analysis has focused on two areas, the first being historical interpretation of different family forms. Many Marxist historians accept that the form of family dominant in the West today is characteristic of the nineteenth-century bourgeoisie as a class, and this recognition has led to more detailed specification of family forms as they vary historically, by class, by ethnic group and so on. A second major interest lies in the relevance of psychoanalysis in an interpretation of the family – though this approach remains controversial within Marxism.

Not least of the problems encountered in analysis of the family is that of definition.