

The Tendency for the Rate of Profit to Decline—And Why It Matters

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The law of the tendency for the rate of profit to decline has been the focus of an immense and on-going debate since the publication of Vol.III of *Capital* in 1894. In what follows, I shall not attempt to investigate the diverse and plentiful literature on the debate, nor the particular interpretations since those interested can immerse themselves at length with the articles and books written on the subject. Rather this article seeks to present a brief theoretical outline of the law itself with the intention of highlighting its political significance to overcoming the logic of capital. In so doing, I will demonstrate that Marx saw the tendency for the rate of profit to decline not only as a descriptive law of political economy but the material foundation for the creation of socialism.

I.

In part I of Volume. III of *Capital*, Marx introduces the concept of cost-price by showing us that what a commodity costs in the mind of capitalist and what a commodity actually costs are two separate categories that require further delineation. According to Marx, the cost of a commodity for a capitalist is measured by the expenditure of capital, while the actual cost of a commodity is measured by the expenditure of labor. This distinction is what Marx calls cost-price, which from the vantage point of the capitalist forms the “inner value” of a commodity serving the function of preserving total capital investments. The category of cost-price represents a “false semblance” of value that mystifies the actual source of value in commodities giving capitalist the impression that all parts of capital are equal sources of valorization. Since capitalists are unable to distinguish between the materially distinct elements of production, the variable component of capital is merely seen as capital spent on wages instead of playing a distinct role in the formation of a commodity’s value. But in the process of production it is living labor-power itself that appears in its place and forms the basis of a commodity’s value.

This process is further mystified by the very nature of an economy dominated by capital, whereby the sphere of production constitutes a transitory moment that soon passes into the sphere of circulation (Marx: 1981). In other words, from the standpoint of the capitalist, it is understood that the sphere of production represents a crucial moment, i.e., the source of profits or surplus value originating from the workers unpaid surplus labor which costs the capitalist nothing. However, at

the same time, any inkling of this knowledge is obscured in the sphere of circulation which appears to be an equally valid moment when the excess value or surplus value is realized with the sale of the commodity. Thereby, presenting the illusion that the surplus value embedded in commodities is not simply realized by the sphere of circulation, but actually derives from the sphere of circulation itself, in a movement that is independent of production. This helps shed light on why capitalists are unable to identify the effects of technological advances in production that displace labor. Given that in the mind of capitalist, variable capital simply appears as capital spent on wages they are inclined to treat living labor-power as an extra expenditure that can be replaced with improved methods of production to reduce the price of individual commodities and sell a greater mass of commodities.

The cost of commodities for the capitalist therefore stems from the objectified labor which is actually paid for—the variable capital expressed as the price, or value of labor-power in, the form of wages—plus the cost of means of production and raw materials. On the other hand, the capitalist's profit stems from the excess value or surplus labor added to the commodity above the necessary labor, i.e., the time required for the reproduction of labor-power. Thus surplus value or profits simply consist of this unpaid excess value embodied in commodities over the total sum of necessary labor. In contrast, Marx draws the important distinction between the mass of profit as the form of appearance of surplus value and the rate of profit as surplus value measured against total capital. By working out the relationship between surplus value and total capital, namely, capital invested in means of production or constant capital to that which is invested in labor-power or variable capital, Marx was able to overcome the limits of Smith and Ricardo in observing the tendency of the rate of profit to decline as the immanent law of political economy (Mattick: 1966).

Yet Marx never reduced the rate of profit to an indeterminate seesaw that sways back and forth until crises ultimately bring the system to a halt. To the contrary, Marx made the critical insight that both tendencies toward equilibrium and away from equilibrium form a contradictory unity of opposites that produce crises (Dunayevskaya: 1981). Nevertheless, in following Smith and Ricardo, in Part II of Vol. III of *Capital*, Marx highlighted that capitalist economies are characterized by a tendency towards an equalization in the rate of profit across industries. As Fred Moseley shows us, Marx was in general agreement with Smith and Ricardo's assertion of an equalization in the rate of profit and with their emphasis on so-called "natural prices" as long-run equilibrium prices around which actual market prices fluctuate. However, Marx's decisive break with Smith and Ricardo was in their failure to explicate the specific determinations of these long-run equilibrium prices that equalize profits across industries. Thus Marx accepted the idea of profit-equalizing center-of-gravity prices but sought to develop his own theory of how they are determined.

In doing so, Marx explained that competition among capitals within different spheres of production results in the formation of a general rate of profit (average) that distributes the total social capital in such a manner that prices of production—cost-price plus average profit—do not coincide with the value of commodities (Rubin: 1928). Whereas, if commodities sold at their values as assumed by Smith and Ricardo then the unequal organic compositions of capital would yield the rate of profit across industries to be unequal. As Marx writes in chapter 8 of vol. III of *Capital*,

"Capital withdraws from a sphere with a low rate of profit and wends its way to others that yield higher profit. This constant migration, the distribution of capital between different spheres according to where the profit rate is rising and where it is falling, is what produces a relationship between supply and demand such that the average profit is the same in the various different spheres, and values are therefore transformed into prices of production."
(Marx: 1981, 297)

Moreover, prices of production are governed by the law of value insofar as a reduction or increase in the labor-time socially necessary for production makes the price of production rise or fall (Marx:

1981). But Marx notes that prices determined by labor-time, i.e., prices of production are not actual market prices but instead long-run equilibrium prices around which actual market prices fluctuate. What actually determines market prices are the laws of supply and demand that in turn cause the value of commodities to deviate from their price of production. The commodities whose individual value stands below the market price will realize an extra surplus value or surplus profit, while those whose individual value stands above the market price will be unable to realize a part of surplus value (Marx: 1981). However, under the pressure of competition capitals tend to progressively conform to the average of others regardless of their organic composition out of necessity to survive in the marketplace. In addition, fluctuations of actual market prices around long-run equilibrium prices are the very means by which the proletariat is more directly brought under the regulation of the law of value in an economy dominated by capital (Moseley: 1996).

It has been shown, how competition equalizes the rate of profit across industries to form an average rate of profit which explains how the values of commodities are transformed into prices of production. This whole process occurs through a continual transfer of capital between spheres of production that produce rising and falling profit rates which tend to balance the rate of profit to a uniform level across industries (Marx: 1981). But what competition ultimately mystifies is the value that regulates and determines prices of production. Marx demonstrates how this phenomena appears to contradict both the determination of value by socially necessary labor-time and the fact that surplus value derives from unpaid surplus labor. As Marx writes, "in competition, therefore, everything appears upside down" (Marx: 1981, 311). It is on these grounds that underline the tendency for capitalists to continually expand constant capital relative to variable capital, which results in a decline in the general rate of profit. Hence capital's endless drive for self-expansion is what motivates the tendency for dead labor, i.e., constant capital to consume living labor-power, i.e., variable capital. Since capitalists strive for the lowest cost-price and the highest profit they are inclined to introduce new labor saving technologies as an effort to gain an edge over their competition by reducing the labor-time socially necessary to produce a commodity.

The tendency for the rate of profit to decline therefore arises from the shifting value relations of capital expansion, i.e., from a relative decline in variable capital in comparison with constant capital. In other words, this decline is relative and does not originate from the absolute amount of labor or surplus labor set in motion by capital but rather from its relative decline in relation to constant capital. Thus the tendential fall in the rate of profit is just another expression of the self-valorization of capital and the increasing productivity of labor. Here is what Marx states, in Chapter 13 of Volume III of Capital,

"The progressive tendency for the general rate of profit to fall is thus simply the expression, peculiar to the capitalist mode of production, of the progressive development of the social productivity of labour. This does not mean that the rate of profit may not fall temporarily for other reasons as well, but it does prove that it is a self-evident necessity, deriving from the nature of the capitalist mode of production itself, that as it advances the general average rate of surplus value must be expressed in a falling general rate of profit. Since the mass of living labour applied continuously declines in relation to the mass of objectified labour that it sets in motion, i.e. the productively consumed means of production, the part of this living labour that is unpaid and objectified in surplus value must also stand in an ever-decreasing ratio to the value of the total capital applied. But this ratio between the mass of surplus value and the total capital applied in fact constitutes the rate of profit, which must therefore steadily fall." (Marx: 1981, 319)

According to Marx, capital invested in means of production, i.e., constant capital is generally advanced faster than capital invested in labor-power, i.e., variable capital. The tendency for capitalists to constantly expand means of production over living labor-power is rooted in the drive to

increase the productivity of labor- increase surplus labor-time over the time necessary to reproduce labor-power. Since surplus value is rooted in surplus labor-time, the decline in labor-time relative to the growing mass of means of production leads to a decline in the rate of profit, because the rate of profit is measured against total capital. This process creates an “eternal hunt” among capitalists to revolutionize technology in an attempt to secure extra profits, however the application of these new technologies are eventually generalized by competition and the game must begin anew (Grossman: 2017). But because labor-power is the ultimate commodity of capitalist society, the only source of its value and surplus value, these constant revolutions in technology reproduce the problem at an ever higher level.

On the other hand, Marx argues that just as everything is presented “upside down” by competition so too is the tendency for the rate of profit to decline. What brings about a decline in the rate of profit is also coupled with a simultaneous increase in the total mass of surplus value and profit appropriated by social capital. Marx calls this apparent contradiction a “double-edged law” inherent to the production and accumulation of capital itself. This two-fold law is expressed by an increase in the productivity of labor and higher organic composition of capital corresponding to it, which sets in motion a smaller amount of living labor in each individual commodity and a greater total mass of commodities. Thus the price of individual commodities or a specific group of commodities falls due to less living labor being absorbed into each commodity and an increase in the total quantity of commodities produced. Therefore, the decline in the rate of profit, and the increase in the mass of surplus value and profit are different sides of the same coin, insofar as both are expressions of the increasing productivity of labor.

It should be noted that since the rate of profit is measured against total capital, Marx identified that fluctuations may also occur arising from the sphere of circulation, principally from changes in the turnover time of capital. Marx explained how a reduction in the turnover time of capital- the sum of production time and circulation time- or in one of its component parts raises the mass of surplus value appropriated insofar as a smaller portion of capital remains idle, e.g., whether in the form of money capital, circulating and fixed capital, or the finished but unrealized commodity capital. Hence any reduction in the turnover time of capital also has the effect of increasing the rate of profit. For example, technological innovations made in telecommunications, railroads, or canals shorten the circulation time of commodities and subsequently the amount of time it takes to realize surplus value. But most importantly, the process to accelerate the turnover time of capital is mediated by competition among capitals to produce commodities with the least amount of labor-time socially necessary, on average as revealed by competition on the world market.

At the same time, Marx held that the rate of profit may increase or decrease, while surplus value remains constant due to fluctuations in the price of raw materials. This is possible precisely because the rate of profit is measured against total capital and not simply an expression of surplus value. Since raw materials form a major component of capital subsumed by constant capital, variations in their price have a significant impact on the rate of profit irrespective of surplus value and wages. Furthermore, raw materials form part of circulating capital and fully impart their value to the finished product, therefore must constantly be renewed with the sale of each commodity. In contrast- to machines that transfer their value to the finished product in piecemeal and depreciate over time. Therefore, fluctuations in the price of raw materials can slow down or inhibit the reproduction process of capital if the price realized by the sale of a commodity no longer suffices. This whole process rests upon the existence of a credit system, competition, and free trade to ensure the continual flow of capital whereas import duties or tariffs would bring about an increase in prices. This explains why it has historically been the preoccupation of capitalist to abolish import duties or tariffs.

But Marx nonetheless affirmed irrespective of an increase in the mass of profits or an increase by

effective demand, the rate of profit will inevitably fall and cannot be obviated by temporary counteracting factors either. The immanent contradiction, Marx places at the center of his analysis is not the market, but when capital has become an end in itself and comes into conflict with living labor-power at the point of production. In Raya Dunayevskaya's view,

"The innermost cause of crises, according to Marx, is that labor-power in the process of production, and not in the market, creates a value greater than it itself is. The worker is a producer of overproduction. It cannot be otherwise in a value producing society where the means of consumption, being but a moment in the reproduction of labor power, cannot be bigger than the needs of capital for labor-power. That is the fatal defect of capitalist production. On the one hand, the capitalist must increase his market. On the other hand, it cannot be larger." (Dunayevskaya: 1981, 42-43).

Dunayevskaya also highlights the fact that Marx observed the search for markets as being motivated by the search for higher profits not an inability to realize surplus value in the sphere of circulation. In reality, surplus value is often not realized by effective demand since capitalists simply convert a portion of surplus value into constant capital by absorbing it into means of production without the need to first sell it to a buyer (Hudis: 2014). Hence Marx never viewed effective demand as a critical determination to the accumulation of capital since the only means by which capital can expand is through the continual mastery of dead labor over living labor-power. Marx drew no direct connection between production and consumption, "capitalist production creates its own market- pig iron is needed for steel, steel for machine construction, etc" writes Dunayevskaya, therefore surplus value is realized amongst capitalist themselves, "the capitalist are their own best customers and buyers." (Dunayevskaya: 1981, 35)

There is no question, therefore, that Marx identifies the tendency for the rate of profit to decline as the underlying cause of the crises of capitalism. A crisis occurs not because of an overaccumulation of capital-surpluses in commodity, money, or productive capital- as argued by Paul Sweezy, Samir Amin, or David Harvey. The market is often largest right before the crisis occurs but low profit rates cause capitalist to decrease their investments and the ensuing stagnation immediately appears as an overaccumulation of capital (Dunayevskaya: 1981). Thereby, the tendency for the rate of profit to decline manifests itself as an inability to realize surplus value, a contradiction between production and consumption. However, beneath the phenomenal appearances of the crisis, Marx highlights that value and surplus value can only come from variable capital, i.e., living labor-power in the process of production, which is now at a smaller portion in relation to total capital. In short, there is no doubt that crises produce an overaccumulation of capital but the crisis itself is due to the fact that the accumulation and the expansion of production had outrun profitability.

Thus the crises of capitalism can only be understood through the real movement of capitalist production, i.e., the general tendencies of the accumulation process and the long run tendency for the rate of profit to decline. But Marx also noted several counteracting tendencies that included:

(1) more intense exploitation of labour, (2) reduction of wages below their value, (3) cheapening of the elements of constant capital, (4) the relative surplus population, (5) foreign trade, (6) the increase in share capital.

Nevertheless, these counteracting tendencies are simply temporary, while the crises of capitalism are not only recurrent but inevitable this is because as Marx writes,

"The true barrier to capitalist production is capital itself. It is that capital and its self-valorization appear as the starting and finishing point, as the motive and purpose of production; production is production only for capital, and not the reverse, i.e. the means of

production are not simply means for steadily expanding pattern of life for the society of the producers. The barriers within which the maintenance and valorization of the capital value has necessarily to move- and this in turn depends on the dispossession and impoverishment of the great mass of producers- therefore come constantly into contradiction with the methods of production that capital must apply to its purpose and which sets its course towards an unlimited expansion of production, to production as an end in itself, to an unrestricted development of the social productive powers of labour.” (Marx: 1981, 358)

The capitalist mode of production is therefore grounded in an irreconcilable contradiction between use value and value, between the self-valorization of capital and the ever increasing productivity of labor corresponding to it that produce recurrent crises from the unlimited expansion of means of production over living labor-power. Unlike Ricardo’s argument that the rate of profit declines as the productivity of agricultural labor decreases, as more land is brought under cultivation to feed an increasing population, the crux of Marx’s argument is the opposite: Even though labor-saving technological innovations increase productivity, they also simultaneously displace living labor and therefore reduce the amount of new value added in production.

II.

What political significance does this have for today? Firstly, it suggests that there is a need to abolish value production, through the creation of freely associated social relations of production that transcend abstract labor and socially necessary labor-time. But this can only be fully realized once the self-expansion of capital as an end in itself is negated and we enter as Marx put it, “the true realm of freedom, the development of human powers as an end in itself” (Marx: 1981, 959).

Secondly, the effort to overcome capitalism must emerge from the existing social forces at play in society that will bring alive the dialectics of liberation for today and the movement towards a new human society. This of course, is at the inner core of Marx’s theory of the breakdown of capitalism, namely, the foundation for building socialism is established through the conflict between labor and capital in the process of production. For Marx, as Dunayevskaya points out, “the organic composition of capital produces, on the one hand, the decline in the rate of profit, and, on the other hand, the reserve army of labor. The inability of capitalism to reproduce its only value creating substance sounds the death knell of capitalism” (Dunayevskaya: 1981, 45).

Therefore, Marx did not simply view, the tendency for the rate of profit to decline, as an important law of political economy but the fundamental means by which the subjective forces of capitalism transcend value production. It directly follows from Marx’s analysis that the collapse of capitalism and the establishment of socialism arise from the internal contradictions of production, the opposition between capital and living labor, the gravediggers of capitalist society. On the other hand, since underconsumptionist shift the crucial problem of capitalism from the sphere of production to that of circulation and effective demand they tend to obscure Marx’s basic premise that labor-power is the ultimate commodity of capitalist society. The conflict between labor and capital in the process of production therefore fades into the background and the necessity of proletarian revolution enters into the dustbin of history. If the source of the problem is something other than value production then the solution is something incapable of overcoming value production- e.g., the equitable redistribution of wealth and value, the democratization of international financial institutions, or the nationalization of industries and state planning.

The problem of identifying the sphere of circulation and effective demand as the critical determination of capitalism is illustrated in the work of David Harvey- a world renowned geographer and leading Marxist theoretician. In his latest book, *Marx, Capital, and the Madness of Economic Reason*, Harvey argues that political struggles situated at the moment of realization- e.g., housing mortgages, rent strikes, or even the distribution of government services and taxes- reflect the new

centers of resistance in modern capitalism. The thrust of Harvey's argument stems from the idea that the accumulation of capital is dependent upon the realization of surplus product, that is, the movement from production to realization is the key point determining the overall circulation of capital. Thus any disruption or slowdown in the realization of surplus product results in the loss of value, what Harvey characterizes as "anti-value" or simply the devaluation of capital. Harvey applies the same line of reasoning, to the sphere of production insofar as capital that remains idle in the production process is not capable of circulating and is thereby "negated as capital". Hence, for Harvey, capital must constantly be in motion and the inability to realize surplus product constitutes the immanent barrier to the accumulation of capital.

Despite some of the theoretical weaknesses of David Harvey's understanding of capitalism (which I briefly discuss below), he correctly asserts that an alternative to capitalism must be grounded in overcoming the law of value. However, at the same time, Harvey writes in *The Enigma of Capital*,

"Socialism aims to democratically manage and regulate capitalism in ways that calm its excesses and redistribute its benefits for the common good. It is about spreading the wealth around through progressive taxation arrangements." (Harvey: 2010, 224)

Furthermore, Harvey writes,

"Under socialism, the production of the surplus is typically managed either through active interventions in the market or through the nationalisation of the so-called 'commanding heights' (energy, transport, steel, and even automobiles) of the economy. The geography of capital flow is controlled by state interventions, even as international trade quietly flourishes through trade agreements." (Harvey: 2010, 224)

From the examples cited above, it is clear that Harvey reduces the concept of socialism to a mere program of Keynesian redistribution in which the law of value continues to operate. This is because Harvey locates the central contradiction of capital not in production but rather in the market, from the lack of effective demand, the inability to realize surplus product, and not the endless self-expansion of capital at the point of production. Although it is clear that Harvey has the redistribution of value in mind when referring to socialism, his writings at times demonstrate a more solid grasp of Marx's concept of value, in particular, his book *The Limits to Capital*—an important work of political economy written in the 1980s. We can see, for example, Harvey clearly recognizes that abstract labor is the substance of value, while socially-necessary labor-time is the measure of value in a society dominated by the logic of capital. Harvey, of course, also insists that anti-capitalist politics and activities must be oriented towards an unalienated existence, i.e., "the active and conscious negation of the capitalist law of value in individual and collective lives." (Harvey: 2017, 89).

It is therefore worth highlighting, Marxist economist Michael Roberts claim that Harvey reduces the creation of value to the sphere of circulation and exchange is exaggerated. Harvey does not contend that value is created in the market rather than having existed prior in the sphere of production. If Roberts claim were true it would mean Harvey believes that labor is only rendered abstract upon the realization of surplus product in the market. But as I have already underlined, Harvey's argument is not that the creation of value itself is dependent upon the realization of surplus product but rather the main factor determining the overall accumulation of capital is the level of effective demand sufficient to buy surplus product. Apart from this, Michael Roberts latest critique of Harvey does properly emphasize the issue with viewing the rate of profit as indeterminate to crises and shifting the hotspots of class struggle from the point of production to circulation and distribution. Such an approach, especially Harvey's focus on the sphere of circulation and effective demand carries with it specific political prescriptions. By positing the sphere circulation and effective demand at the center of his analysis Harvey abstracts from the way in which constant capital forms the only means

through which capital can expand on a continual basis.

In this respect, though Harvey recognizes the tendency of capital to self-expand limitlessly he fails to see it can only do so by reducing the relative portion of living labor to dead labor at the point of production (Hudis: 2014). Ultimately, Harvey's underconsumptionist analysis is what constitutes the basis of his Keynesian political prescriptions. The domination of dead labor over living labor, which Marx identified as the distinctive feature of a capitalist society is completely obscured by Harvey. Since Harvey's argument places the relationship between the market and effective demand where the relationship between labor and capital belongs, he slips into the error of identifying socialism as the redistribution of value. In so doing, Harvey is forced to pose an external factor, the struggle between consumers and capitalists in the marketplace as the source of crises and resistance in capitalism. As Marx shows us, the law of value can only be eliminated by the conflict between labor and capital in the process of production, and only freely associated labor can strip the fetishism from commodities. The production of value and surplus value is the fundamental characteristic of the capitalist mode of production not the circulation and distribution surplus value. Thus the dialectic as a movement of liberation and methodology is completely lost given Harvey places struggles outside the process of production at the center of his analysis.

To be clear, Marx's critique of political economy is deeply rooted in the perverse and inverted relationship between dead labor and living labor at the point of production- from the fetishism of commodities in which social relations assume the form of relations between things to the tendency for constant capital to expand at the expense of variable capital. The constantly rising organic composition of capital results in two things: the concentration of means of production into ever larger industries and the centralization of capital into fewer hands as more profitable capitalists subsume less profitable capitalists. This process also involves the progressive de-personification of the private character of capital and the greater de-personalization of the social connections that bind associated producers together. Marx argued insofar as the private control of production by individual capitalists becomes increasingly more untenable it points toward "communal social conditions of production" insofar as the alienation of producers becomes greatly more accentuated (MECW: 1991, 144). Marx held both sides together in a dialectical relationship and does not affirm one over the other but points to the possibility for the dissolution of this contradiction as the growing mass of people in society are deprived of the conditions of production.

On the other hand, Marx held that the full development of human freedom as an end itself can only emerge out of the realm of necessity as its basis. Marx argued that in any mode of production human beings must mediate their laboring activity with the material world in order to satisfy and reproduce the necessities of life (Marx: 1981). But as the development of the realm of natural necessity expands as a result of an increase in wants so too do the forces of production increase to satisfy them. Yet Marx maintained that human freedom begins when,

"socialized man, the associated producers, govern the human metabolism with nature in a rational way, bringing it under their collective control instead of being dominated by it as a blind power; accomplishing it with the least expenditure of energy and in conditions most worthy and appropriate for their human nature. But this always remains a realm of necessity. The true realm of freedom, the development of human powers as an end in itself, begins beyond it [labor in material production, realm of necessity], though it can only flourish with this realm of necessity as its basis. The reduction of the working day is the basic prerequisite." (Marx: 1981, 959)

Marx therefore clearly identified the satisfaction of basic needs as the ultimate foundation for the free development of individual powers as an end itself. But the actual necessity of revolt which forms the precondition for the development of human freedom arises from the fact that value production is

set towards destroying society through the endless self-expansion of capital. In this sense, Marx held that the struggle over wages, working hours and conditions reflect an inseparable part of the movement towards overcoming the logic of capital even when the focus is not explicitly linked to the specific goal of abolishing capitalism.

In this article, I have sought to show that Marx's theory of the tendency for the rate of profit to decline merits renewed attention in light of today's struggle to transcend the logic of capital. I am certainly not the first to call attention to this important factor of Marx's critique of political economy. But with the emergence of a new generation anti-capitalist activist across the globe I think Marx's concept of capital as a process of self-expanding value can be of real service to individuals seeking an alternative to capitalism. The rate of profit declines not because of a mere change in the technical composition of capital, i.e., the ratio between means of production and labor-power but changes in the organic composition of capital, i.e., the value composition of capital as it relates to its technical composition. This is because the organic composition of capital is explicitly linked to the value relation shaping capitalist society. As Marx shows us, in capitalism means of production and labor-power constitute products of capital, that is, values that must yield a profit in order for capital to accumulate on a continual basis. But since capitalism is driven by the tendency for a growing portion of dead labor to consume living labor-power, capital cannot yield sufficient surplus value and the accumulation of capital runs up against definite limits that create the possibility for the development of a higher form of production.

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