

## Laws of Motion of the Capitalist System

### 1. Effects of substituting capital for labor

- a. A  $\downarrow$  rate of profit – though capitalists may try to overcome this by increasing the rate of surplus value on each worker.
- b.  $\uparrow$  the reserve army of the unemployed – “technological unemployment”

### 2. Both a falling rate of profit and technological unemployment contribute to the crisis

- a. Falling rate of profit -  $\downarrow$  I demand
- b. Capitalist tries to offset decreasing profits by lowering wage of those who are still employed –  $\downarrow$  C demand
- c. Technologically unemployed – no wage = no income –  $\downarrow$  C demand
- d. Reserve army also contributes to downward pressure on wages –  $\downarrow$  C demand

### 3. Other sources of instability

- a. Transforming money to goods to money may cause overproduction at some point, if all good not bought – a timing problem.
- b. Sectoral imbalances may arise – which produces gluts in some places, shortages in others
- c. Market mechanism not rational – in particular, monopoly power is pervasive, and monopolies transmit misinformation on goods

4. Crises of increasing intensity and duration

a. during each crisis, smaller capitalists are crushed. “One capitalist always kills many.”

b. ↑ immiseration of the proletariat

5. Contrast this with the position of the capitalists

a. ↑ concentration of capital – larger enterprises

b. ↑ centralization of capital - in fewer and fewer hands

6. To offset gluts of goods, seek out new markets, exploit LDCs, sell goods even to enemies

7. Eventual result – violent revolution – class consciousness arises, and the expropriators are expropriated.

8. Transition to the communist millennium

a. Dictatorship of the proletariat – state ownership of the means of production, re-education or elimination of the remaining bourgeoisie

b. Withering away of the state

c. Final state communism, emergence of communal consciousness where it is from each according to his ability, to each according to his need. Contradictions at an end.