

'Descendence-Phase Capitalism': Part I. Socio-Economic Aspects. Global Strategic Hypotheses.
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Introduction. The root of the Marxian theory of the 'ascendence-phases' turning themselves into the 'descendence-phases' of successive, progressing human-social systems was set forth in Marx's famous preface to his 1859 breakthrough book entitled *A Contribution to the Critique of Political Economy*. Human-social systems are grasped as, 'self-transitioning', "modes of production", or 'modes of human-societal self-reproduction', which are "'complex unities'" of "historically-specific", epochal *social relations of production*, unified with their temporarily corresponding *social forces of production*. From that preface, we extract the following, for this article --

"The general conclusion at which I arrived and which, once reached, continued to serve as the leading thread of my studies may be briefly summed up as follows: In the social production which men carry on they enter into definite relations that are indispensable and independent of their will; these relations of production correspond to a definite stage of development of their material powers of production."

"The sum total of these relations of production constitutes the economic structure of society -- the real foundation, on which rise legal and political superstructures... . The mode of production in material life determines the general character of the social, political, and spiritual processes..."

"At a certain stage of their development the material forces of production in society come into conflict with the existing relations of production... ."

"From forms of development of the forces of production these relations turn into their fetters."

"Then comes the period of social revolution."

"With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed."

"In considering such transformations the distinction should always be made between the material transformation of the economic conditions of production, which can be determined with the precision of natural science, and the legal, political, religious, aesthetic, or philosophic -- in short, the *ideological* -- forms in which men become conscious of this conflict and fight it out."

"Just as our opinion of an individual is not based on what he thinks of himself, so can we not judge such a period of transformation by its own consciousness; on the contrary, this consciousness must rather be *explained* from the contradictions of material life, *from the existing conflict between the social forces of production and the relations of production.*"

"No social order ever disappears before all of the productive forces for which there is room in it have been developed, and new, higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society."¹

This "general conclusion" will also serve as the guiding thread for our exposition here, just as it has already served as the guiding thread for the research that has led to the overall hypothesis set forth herein. This guiding thread, applied to human history since the 1860s, leads to new conjectures which are highly plausible, and backed by abundant, if hitherto neglected or misinterpreted evidence, but which are also shocking and unexpected for most of those whose "news" comes from the media controlled by the ruling faction of the U.S./global ruling class. These new conjectures contain a dire warning for the, *non*-ruling, majority class of humanity, as we shall see, more explicitly, in Part II.

The passage above provides a '*historically generic*' description of a progression of "*historically-specific*" epochs of human-social formation. Each epoch is characterized by an initial '*ascendence phase*', during which its prevailing *social relations of production* foster further growth of its *social forces of production*.

Each is also characterized by a subsequent phase, a ‘*descendence-phase*’, during which the prevailing *social relations of production* enfeebled -- thwart, resist, even tend to reverse -- any further growth of the *social forces of production*. This “fall” of the prevailing *social relations of production*, and thus also of the “*economic structure of society*” built upon them, culminates in a “*period of social revolution*”.

Indeed, Marx describes, in precisely these terms, the “historically-specific” process of the rise and the fall of tribal social systems, into the rise of slavery-based and/or serfdom-based successor social systems, in the section of the *Grundrisse* entitled “*Forms which precede capitalist production (Concerning the process which precedes the formation of the capital relation...)*”, written *circa* 1857 to 1858.²

But the key questions, for us, as for Marx, are the following “historically-specific”, present-epoch ones --

- What will drive the ‘*descendence phase*’ of what Marx calls “the capital relation” -- of capital as the prevailing *social relation of production*? And;
- How so; what will be the exact mechanism by which the growth of the *social forces of production*, beyond a certain level, destroys the dominance of the capital *social relation of production*? And;
- When in history will this ‘*descendence phase*’ and its “*period of social revolution*” occur?

And, moreover: *What will be the consequences, for majority human life, when this ‘descendence phase’ and “period of social revolution” arrive.*

Part of the answer, I claim, is that this ‘*descendence phase*’ has already begun. Our evidence indicates that its stage was set *circa* 1868 C.E. This ‘*descendence phase*’ brought humanity “The Great Deflation” of 1870 to 1890; ideologies of “Social Darwinism” and “Eugenics”; the Federal Income Tax and the Federal Reserve in 1913; WWI in 1914; the seeds of the “Military-Industrial Complex” about which president Eisenhower later warned; a Stalinist state-capitalist police-state in Russia from 1917, a “Great Depression” in 1929; Fascist state-capitalist police-states, across Europe and Asia, and almost in the United States, in the 1930s; WWII and the Holocaust; the Cold War, the proliferation of CIA-facilitated dictatorships throughout the “Third World”, the overthrow of the Kennedy/New Deal faction of the U.S. ruling class, and the U.S. ruling class’s war against Vietnam. Since the fall of Stalinist state-capitalism in the USSR, *circa* 1989, this ‘*descendence phase*’ has seen the escalating rise of the ruling class ruling faction’s perversion of the legitimate grass roots anti-pollution movement, into an anti-humanist “People Are Pollution” pseudo-movement; the leveraging of the industrialization of China and of the other “B.R.I.C.S”, etc., to immiserate, e.g., the U.S. working class; the “Great Recession”, and, of late, the Covid19 Pandemic’s “Global Depression by Decree”.

However, to delve into -- and to understand -- this evidence as to the timing of the onset of the present ‘*descendence phase*’, of capitalism, and as to what precisely that onset is, and what it means, we will have to address certain long-neglected questions. We will have to address questions as to what precisely Marx meant, by the concept named “the social relations of production”, and, even more so, by the concept named “the social forces of production”. Both concepts have been strenuously neglected by most so-called “Marxians”, since Marx. We’ll address these issues in the section right after this Introduction.

These questions we will treat as primarily “socio-economic” questions.

Despite the fact that the capitalist system is a “[socio-]political-economy”, a complex unity of “politics” and “socio-economics”, we’ll separate our coverage of its “socio-economic” versus its “political” aspects, and, in this part, Part I, focus on the “socio-economics” aspect alone. Part II. will therefore be entitled ‘**Descendence-Phase Capitalism**’: **Part II. Political Aspects**. But capitalism remains a *socio-political-economic whole*.

Indeed, it is the “political” *reaction* of the capitalist ruling class to a “socio-economic” development, that of new, higher productive forces, higher productivities which threaten to destroy the capital base of the global coercive and exploitative power of that ruling class -- whose home base is the geographical core of capitalism -- that creates the ‘*descendence phase*’ of capitalism.

It is *not* some blind, mechanical movement of a ‘psyche-less’ economic machine by itself that does so. That “political” *reaction* also creates an enduring split within this ruling class, a ‘faction-alization’ that epitomizes the entire ‘*descendence phase*’ of the capitalist system.

In the final part of this series, Part III., we will address the unity of the political and socio-economic aspects of the capitalist system. We will do so in the context of deriving a new model for a predicted successor system to the capitalist system, a successor system which transcends all species of police-state state-capitalism. This means deriving the nature of the new prevailing “*social relation of production*”, and that of the new “*social force of production*” that, per our hypothesis, form the foundation of this predicted successor system, and successor ‘mode of societal self-reproduction’. The title for this third part is thus -- **Part III. ‘Concrete Transcendence of the Descendence Phase of Capitalism: Political-Economic Democracy’**.

In the present part, Part I., we shall abstract from the political dimension of the ‘socio-political-economy’ of the capitalist system. However, as this introduction serves as the introduction for the entire series, Part II. included, we should note the extreme and self-serving fatuousness of the ruling-class media’s incessant demand that any account of history involving any hypothesis of conspiracies, e.g., any hypothesis of ***ruling class conspiracy***, be *ipso facto* dismissed out of hand.

Aristotle knew, already 25 centuries ago, that the human species is the «*zoon politikon*», i.e., the ‘polis animal’, the ‘polis-itical’ animal, the “*political animal*”. “Breathing together” [even since Covid-19], making plans, including *secret* plans, that involve gains for the co-conspirators, and induced losses for others, is what we “*social animals*” tend to do. Now we know what happens to “the plans of [mice and] men”. Perhaps most conspiracies fail. However, a ruling class is a class of people who have been running a “successful” conspiracy -- “successful” in holding onto their power to exploit, parasitize and ‘vampirize’ the rest of humanity -- typically for many generations running.

The elaboration of the ruling class’s ruling faction conspiracy aspects of capital’s ‘*descendence phase*’ belongs to Part II. of this article. However, I should note here that the hypothesis presented in this series is NOT one alleging that a voluntarist ruling class cabal of gratuitous, penultimate “bad actors”, decided, arbitrarily, *sans* duress of “necessity”, to ***initiate action*** to inflict fatal harm on most of the majority class.

On the contrary, per our hypothesis, the initially unconscious and unintended “law of motion” of the ***capital***-[social-]***relation***[-of-production], the “‘law of value’”, that we all together create and daily re-create as a unintended consequence of our social practices, in its response to the self-accelerating self-growth of the ‘self-reproductive self-force of human society’, is the root cause of that ruling-class ***reaction***, traced herein.

The socially-***unconscious*** human ***action*** of that, Marx-critiqued, “‘*law of [capital-]value*’” comes first in this causation, not the other way around; not the ruling class’s “political” ***reaction***.

This hypothesis regarding the ‘*descendence phase*’ of capitalism is one which, psychohistorically, includes the collective-psychological ***reaction*** of the capitalist ruling class to ruling-class-unforeseen consequences of that “*law of motion of modern society*”³ discovered, in parts, by David Ricardo, by Karl Marx, by Thorstein Veblen, by George Orwell, and by others.

This ruling class reaction, in later, high-productive-force capitalism, however devastating, was therefore scientifically foreseeable, even if the conceptual tools requisite for that foreseeing were only partially forged before that reaction irrupted.

Human Societal Self-Reproduction, Its Social Relations, and its Self-Reflexive Self-Force.

Marx explains, already in his 1859 book whose Preface we quoted-from at the outset, that, by “social ***relations*** of production”, he means, *principally*, human-social realities that we usually think of as wholly-objective mere ***things***, namely ***commodities*** [“the commodity-***relation***”], ***monies*** [“the money-***relation***”], and ***capitals*** [“the capital-***relation***” or “the wage-labor-***relation***”].

There are, of course, physical, sensuous objects that “embody” these relations for us, objects upon which human beings, psychohistorically, in their collective psychology, project their social relations, and invest with the requisite “memes” -- goods produced for sale, minted metal tokens and paper bills, stock certificates...; objects of “economic value” in general.

Moreover, these social relations, and their ‘meme-objects’, crystallize and accumulate around systems of human-societal, society-reproductive human practices that result in differential and generally rising degrees of ‘self-reproductivity’ of ‘*human socio-mass*’ -- of the mass of human bodies, plus the mass of the reproductively-vital artifacts that humans produce from the products of pre-human/exo-human nature.

The human appropriation of pre-human/*present*-‘exo-human’ nature deepens historically, in reverse order of cosmological evolution. It starts as and from the collective appropriation of ourselves, of human nature -- of human bodies cooperating to reproduce their kinship, band communities. It advances from there to that of [other] *social* animals, e.g., wolves made, by humans, into dogs, to that of large-game *asocial* animals, to that of living cells that can preserve foods, e.g., by fermentation, to that of molecules in metallurgy and as fuels, to that of atoms, e.g., in fusion power, to provide *even more powerful* fuel.

By this progression of ever deeper appropriations of nature, we humans discover new social practices that increase the ‘self-productivity’ of humanity, and that demand new ‘social relations of societal self-reproduction’ for their effective collective grasping. These progressively deeper appropriations of nature, this becoming human resources of ever-deeper layers of nature, is the basis of “the growth of the social forces of production” -- i.e., that of the ‘human-societal *self-force* of human society’s self-reproduction’. ‘Meme-etically’, we moderns tend to see “forces” as accelerators generated or exuded, by one body, upon (an)other(s). But this growing societal-reproductive “force” is a “*self-force*” because it is generated by human society *itself*, and applies back upon that same human society *itself*, accelerating the expanded reproduction of that human society. Its increasing magnitude drives the sustained “exponential growth” of global human-species population; the rising sustained *rate* of human-social, ‘*socio-mass*’ reproduction, that is evident from the historical and archaeological record. This exponentiation continues up until the “demographic transition”, in advanced-industrial-capitalist nation-states, tips down that exponential curve to a ‘sigma-shaped’, “sigmoidal” or “S-shaped” -- curve. ‘Human-social self-reproductive self-force’ is the heart & soul of the progress of human material-spiritual life, and the heart & soul of Marx’s theory.

This rising “force”, the accelerating self-reproductive rate of the planetary human species, is, we hypothesize, also a key metric of the rising ‘Meta-Darwinian Fitness’ of humanity, i.e., of the core of its *potential* to continue to survive, to thrive, and to progress to even higher levels of such fitness, prosperity, and ‘thrival’, including by means of even deeper appropriations of pre-human/contemporary ‘exo-human’ nature. But why do we say ‘*Meta-Darwinian Fitness*’, and not just “Darwinian Fitness”.

Dialectical, Immanent Critique of the Darwinist Scientific Ideology, & the Positive Fruition thereof.

Just as classical capitalist political economy was a potential science, but vitiated as such by capitalist ideology, and crying out for dialectical, immanent critique, when Marx initiated his critique just such, the case with “Darwinian Theory” is a similar one.

The “Darwinian Theory” of biological evolution has spawned some of the most horrific ideologies inherent to the ‘*descendence phase*’ of the capitalist system -- e.g., the ruling class ideologies of “Malthusian Eugenics”, of “Social Darwinism”, and of “Scientific” Racism.

But even in its “scientific” core, “Darwinian Theory” exhibits the tell-tale signs typical of capitalist-epoch ideologies, and begs for dialectical, immanent critique. The phrase “Natural Selection”, as an analogy to the “artificial selection” that human subjects have long performed, in their domestications of plant and animals species, is suspect. It metaphorically posits a “pseudo-subject” or “pseudo-agent”, as if some mystic being performs a [conscious] “selection” as to which species will survive, & which won’t -- as if “Nature” were a volitional, “Judgmental” dictator-God, decreeing life or death upon each natural species.

The real mechanism of Darwinian biological evolution is the *differential self-reproductive rates* among species. Those species sustaining higher self-reproductive rates for their species “bio-mass” fill up an increasing volume of the ‘niche-space’ at their scale, increasing the likelihood of their continuing existence/survival. Those with declining or even stationary bio-mass reproduction rates tend to ‘lose space’, increasing the likelihood of their eventual extinction.

This demystification also opens us to the insight that the ‘Meta-Darwinian’ principle applies, not only to biotic evolution, but to cosmological evolution -- to the self-evolution of nature as a whole.

In the case of human[oid] species, this theory is 'Meta-Darwinian' because it applies to the complex unity of the human[oid] *genome* and the human[oid] *phenome*, not just to the human[oid] *genome alone*.

By 'the human *phenome*' we mean the totality of the non-chromosomally-encoded collective learnings, the 'exo-somatically' transmitted "'culture'", the organized "'memes-pool'" of the human[oid] species.

If the '*onto*-mass' change/increase of a species of natural *ontology* in its latest period exceeds its '*onto*-mass' change/increase in its immediately-previous period -- if dividing the former by the latter yields more than 100% -- then the 'onto-mass growth' of that species is *accelerating*, its 'self-reproductive self-force' is manifesting, and its 'Meta-Darwinian Fitness' is rising, whether that species be one of sub-atomic "particles", of atoms, of molecules, of cells, of multi-cellular organisms, of animal societies -- or of human societies.

From Alignment to Dis-Alignment of Social Relations of Production with 'Meta-Darwinian' Law.

What happens in the turn of social relations of production form "forms of development" for the 'self-reproductive self-force of the human species', to "fetters" upon the further growth of that 'self-force', has to do, at root, we conjecture, with this 'Meta-Darwinian law of evolution'.

Each epoch begins with an initial approximate *alignment* of the social relations with the social forces, and thus with the 'Meta-Darwinian law'.

But the growth of the 'self-reproductive self-force' later, cumulatively '*dis*-aligns' the culturally enforced and/or state-enforced rules for reproduction of the prevailing social relations of societal reproduction with that 'Meta-Darwinian law' -- with the social-unconscious rules for the further increase/acceleration of the self-reproductive rate/'Meta-Darwinian Fitness' of the human species.

In the "prehistoric" epochs of the self-development of the human species -- a "prehistory" which only ends, per Marx, with the end of the capitalist epoch -- human beings, the agents of human history, are typically not aware of any concept of the 'Meta-Darwinian Fitness' of humanity. They are not fully aware of how their actions, their human social praxis, creates the historically-specific "law of motion" -- of the 'ascendence', followed by the 'descendence' -- of their society, their 'mode of social self-reproduction'. However, the decline of that 'Meta-Darwinian Fitness' in the '*descendence phase*' of their social formation will tend to manifest in forms of privation that may provoke their resistance to the prevailing "social relations of production". This resistance may escalate into successful 'revolutionizations' of those "social relations", or into "the mutual ruin of the contending classes" [Marx and Engels, *The Communist Manifesto*].

¿But how does this '*historically generic*' principle, of 'Meta-Darwinian' alignment, turning itself into 'dis-alignment', translate to the *historically specific* epoch of the present, capital-value-centric, system?

Rising Societal Self-Reproductive Force Eventually Subtracts More Capital-Value than It Adds.

Capital[-value] tends to accumulate. The capital "social relation of production" tends also to accumulate, increasingly pervading human-social space and human culture. Marx defines capital as '*self-expanding [economic] value*'. That is, profits earned in one period of capital production are typically partially invested back into the next period of the operations that produced those profits, tending to expand the [re-]production of capital-values, and of the "capital-relation", yielding even greater profits, and further-accumulated capital-value, by the end of that next period, and so on. This expanding self-reproduction of capital-value typically drives, especially in the '*ascendence phase*' of the [industrial-]capital-system, an expanded reproduction of human society as well, including, at core, an expanded human population.

There are, of course, even in the capital-relation's '*ascendence phase*', aperiodic interruptions in this expansion, transient periods of declining profitability and contracted social reproduction called "capitalist crises", "depressions", "recessions", etc. But overall, capital-values expand, and so does human society.

The account above constitutes a broadly apt description of the '*ascendence phase*' of the capitalist system. But even in the midst of that phase of net expansion, immanent and contrary processes are at work. But they are, as yet, still dwarfed by the expansive processes.

Capital is also '*self-contracting value*', although only mutedly so during, and defining, the capital-relation's '*ascendence phase*'. Better means of production are invented and applied by given, e.g., new-entrant capitalist competitors, in a process which is immanently incentivized by the capitalist profit motive itself, because it leads, temporarily, to super-profits and to competitive advantage. Then the competitors of those competitors are forced, on pain of bankruptcy from being out-competed on price by competitors who have installed the new means of production, to replicate or supersede that innovation.

Such replication typically means purchasing the better means of production, and scrapping the older means of production in which investment had been made. The older means of production are thus devalued, typically to near zero, by the competitor's having brought online the new.

If the past investment of capital-money in those older means of production, as of the time of their scrapping, has not yet been fully recouped by the "wear and tear" depreciation charges, included in their output's prices -- has not yet been "fully amortized" -- then the remaining undepreciated value of the older means of production must be "written off"; *subtracted* from *gross* profits, in the numerator of the return-on-investment profit-rate ratio, for the accounting period during which that scrapping occurred.

This side of the 'intra-duality' of capital is self-devaluing, self-depreciating, '*self-contracting value*'.

It may also produce a decline in *net* profits for each accounting period in which such write-offs occur.

But in the very next accounting period, the net profit return rates of such legacy firms may rise, due to the write-off subtraction of the undepreciated value of the scrapped capital plant and equipment, that has been subtracted from the denominator of the return on investment profit-rate ratio, & because of the increment of profit contributed on an ongoing basis to the numerator of that ratio by the lower cost *and/or* higher productivity *and/or* lower operating costs *and/or* better-products-producing quality of the new investment fixed capital plant and equipment.

However, if such write-offs occur with increasing frequency, &/or for accounting period after accounting period, in many branches of industry, then a secular general decline in profit rates will result, as during "The Great Deflation", ~1870 to ~1890.

Capitalists measure profit, at "*the surface of society*", as "*return on investment*" -- monetary return on the capital-money invested in "means of production" defined as fixed capital plant and equipment, excluding wages costs, which are, instead, expensed [thus deviating from part of Marx's *core* profit rate ratio]. Thus, notwithstanding the subtraction of the residual monetary value of the enforcedly scrapped capital plant and equipment from the revenue numerator, and from the investment denominator, and the addition to that denominator of the capital-money invested in the new, better, and often cheaper, means of production, plus the addition of the profit increment earned via that new capital plant and equipment to that ratios' numerator, the capitalists' profit-rates would typically fall secularly as well, once fixed capital plant and equipment value rises sufficiently relative to wages costs.

This fall is due, in part, to the legacy competitors' cost-structure's competitive disadvantage relative to "legacy-less", new-entrant capitalist innovators. The legacy competitors must now typically continue to pay the costs of a *double* debt-service -- debt-service on the loans they took out to purchase the older means of production, despite their having scrapped it, thus terminating any earnings from that capital plant and equipment no longer in service, plus debt-service on the loans taken out to purchase the newer, better capital plant and equipment means of production, that the legacy-less innovators forced upon the legacy-competitors, through price competition and/or output product increased-use-value-competition.

Since a falling profit rate threatens the incentives that drive capitalist [re]production, and hence also threaten the continuation of societal reproduction, this counter-process, of capital as *self-contracting value*, countering and eventually overwhelming the process of capital as "*self-expanding value*", constitutes a fatal flaw in the capitalist system, portending a self-induced demise for that system. The '*ascendence phase*' of the capital system is defined by a range of capital accumulation in which the "cross-section" of exposure, of vulnerability, for core, ruling-class-owned, concentrated industrial capital, to this "moral [self-]depreciation" [Marx] of capital -- this capital-relation-immanent 'technological obsolescence depreciation' or 'techno-depreciation' of fixed capital investments -- is still low.

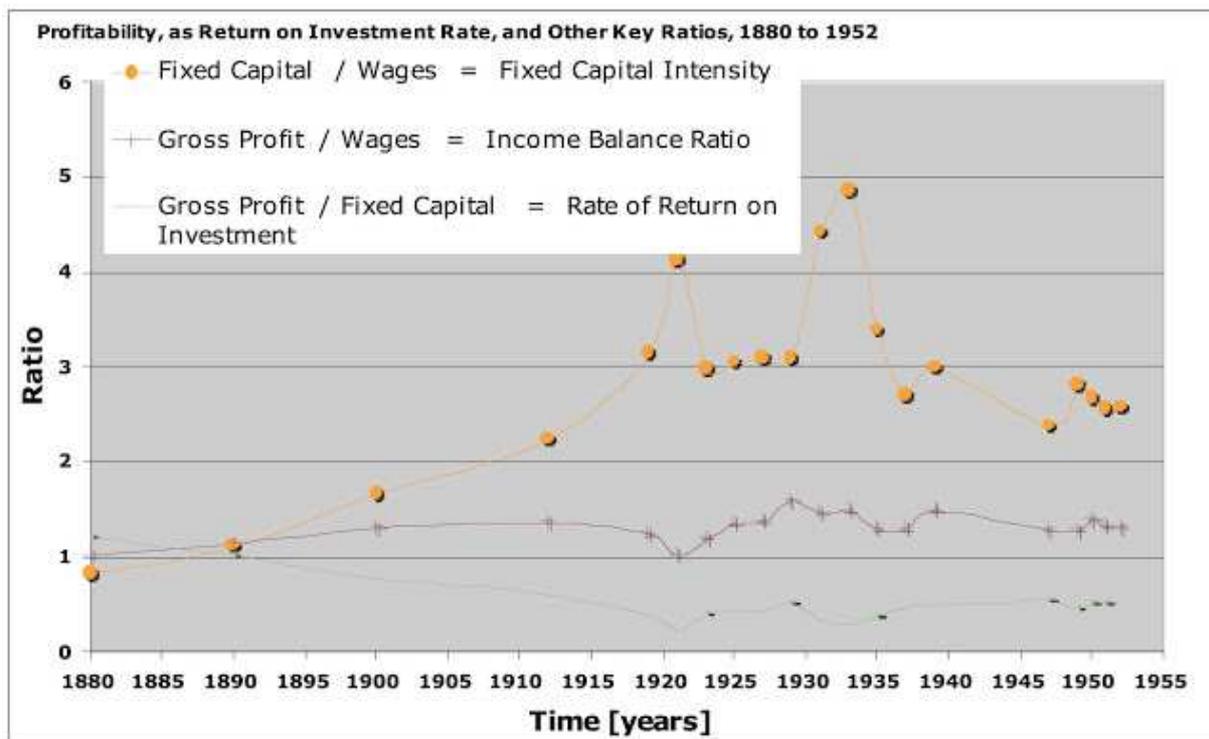
But as capital accumulates, and accumulates increasingly as fixed capital plant and equipment physical mass, and, to a lesser extent, as ‘value-mass’, predominating over the mass of capital-value “invested” in labor, or “labor expense”, the vulnerability of core capital mass and capital-value to a falling rate of profit -- and to ‘self-contraction’ or partial ‘dis-accumulation’ due to ‘techno-depreciation’ -- grows, until it eventually, noticeably manifests as a secular fall in profitability *as* rate of return on fixed capital invested. Productive force growth cuts wages costs, as wage-goods’ prices fall, but increases fixed capital losses.

We mark the “formal” and “technical” turning point, from the ‘*ascendence phase*’ of the capitalist system to its ‘*descendence phase*’, as the point at which the ratio of capital-value invested in fixed capital plant & equipment to the value of wages, for core, concentrated industrial capital, exceeds 100%, i.e., exceeds 1.

This date of that “formal” turning point is not the same as that of the “real” turn into the ‘*descendence phase*’, which arises from the “political” *reaction*, of the upper capitalist ruling class, to the, to-them, suddenly and somewhat unexpectedly *visible*, and *power-threatening*, consequences of that turn.

Per the data gathered from U.S. government sources, by Joseph Gilman⁴, in one of the first attempts, after Marx, to empirically test Marx’s “law of the tendency of the rate of profit to fall” -- the heart of Marx’s “economic law of motion of modern society” -- this cross-over point between fixed capital versus labor investment, or capital investment versus “labor expense”, occurred around 1887 for the U.S. [see graph].

U. S. Industrial Profitability History



Source: Joseph M. Gilman, *The Falling Rate of Profit*, Dennis Dobson [London: 1952], Appendix 3.

Heterodox political-economist Geert Rutin⁵ succinctly describes key aspects of the political-economic dynamics of what we term the ‘*descendence-phase*’ of capitalism as follows --

“To the extent that technical change accelerates, price competition precludes the full amortization of capital investments.”

“In contrast with the common opinion that both technical change and competition are key characteristics of the capitalist system, they are incompatible, at least when technical change accelerates [M.D.: i.e., in capital’s ‘*descendence-phase*’, marked by the pursuit, primarily, of “*relative* surplus-value” and of capital’s “*real domination*” [Marx]].

“Such acceleration then gives rise to forms of concurrence -- abstinence from price competition, price leaderships, cartels. ...”

“Concurrence is a major determinant of the inflationary form of the accumulation of capital.”

“Because it is in their interest, banks tend to accommodate the concurrent price settings of enterprises and so to accommodate a socialisation of private losses that would be due to the devaluation of capital in the case of price competition.”

“Price inflation also puts enterprises in a relatively advantageous position *vis-à-vis* labour.”

Thorstein Veblen⁶ described the fate of ‘*descendence phase*’ capitalism -- in the absence of conscious and theory-guided intervention by the working class, or by the capitalist ruling class -- in the following terms:

“*Since the [M.D.: eighteen-]seventies, as an approximate date and as applying particularly to America and in a less degree to Great Britain, the course of affairs in business has apparently taken a permanent change as regards crises and depressions.*” [M.D.: Our --‘*transition from the ‘ascendence phase’ to the ‘descendence phase’ of the global capitals-system’*]. During this recent period, and with increasing persistency, chronic depression has been the rule rather than the exception in business.”

“...It was said above that since the [M.D.: eighteen-]seventies the ordinary course of affairs in business, when undisturbed by transient circumstances extraneous to the industrial system proper, has been chronic depression. The fact of such prevalent depression will probably not be denied by any student of the situation during this period, so far as regards America and, in a degree, England ...”

“The explanation of this persistent business depression, in those countries where it has prevailed, is, on the view here spoken for, quite simple.”

“By an uncertain date toward the close of the [M.D.: eighteen-]seventies *the advancing efficiency and articulation of the processes of the machine industry reached such a pitch* that the [M.D.: *fall* in the] cost of production of productive goods [M.D.: i.e., of capital plant and capital equipment, functioning as “means of production”] has since then persistently outstripped such [M.D.: *downward*] readjustment of capitalization as has from time to time been made [M.D.: e.g., due to crises]. The *persistent decline in profits*, due to the *relative* overproduction of industrial apparatus, has not permitted a consistent speculative expansion, of the kind which abounds in the earlier half of the nineteenth century, to get under way.”

“When a speculative movement has been set up by extraneous stimuli, during this late period, *the inherent and relatively rapid decline in earning-capacity on the part of older investments* has brought speculative inflation to book before it has reached such dimensions as would bring on a violent crisis.

“And *when a crisis of some appreciable severity has come and has lowered the capitalization*, the persistent efficiency and facile balance of processes in the modern machine industry *has overtaken the decline in capitalization without allowing time for recovery and subsequent boom.*”

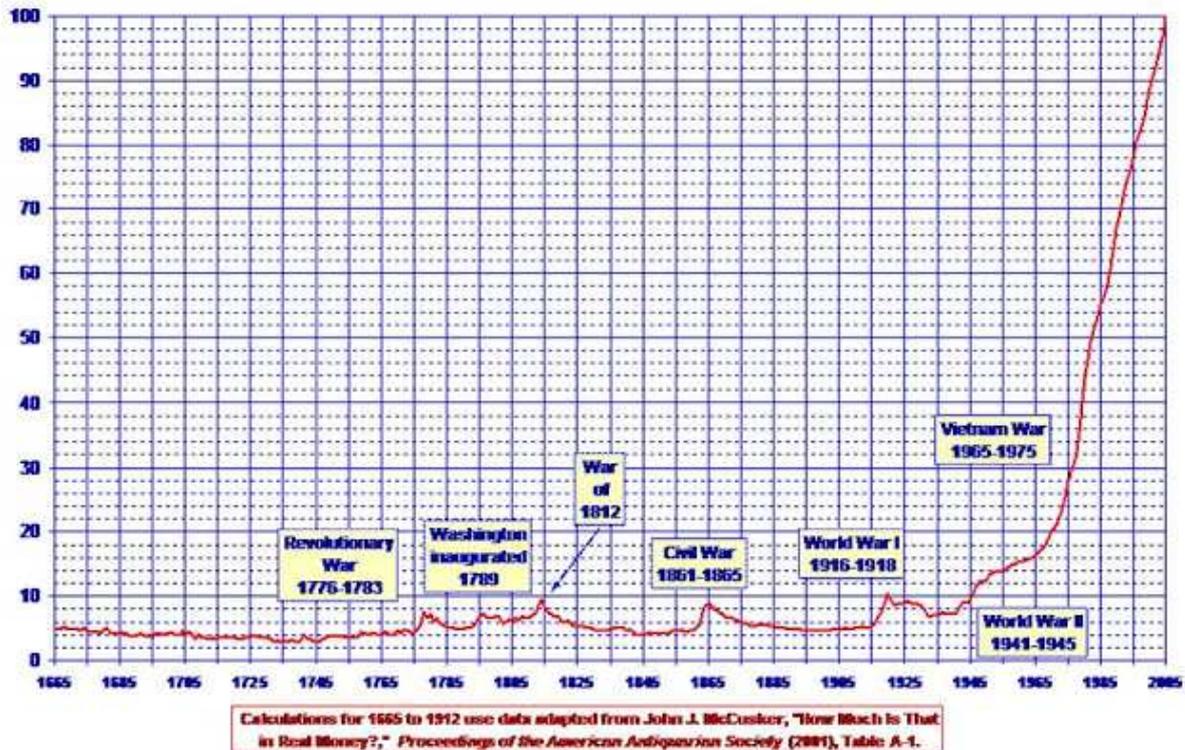
“*The cheapening of capital goods* has overtaken the *lowered capitalization of investments* before the shock effect of the liquidation has worn off.”

“*Hence depression is normal to the industrial situation under the consummate regime of the machine, so long as competition is unchecked and no deus ex machina interposes.*”

The “inflationary form of the accumulation of capital” of which Geert Rutin wrote, in the passage quoted above, is evident -- *most dramatically* -- in the graph⁷ of U.S. price inflation, from colonial times, all the way to 2005, posted below.

This image evinces a stark contrast between the, undulating, relatively low-amplitude fluctuations of inflation -- usually associated with wars -- followed by transient deflations, in the 245 years before 1913, versus the nearly monotonic ‘controlled hyper-inflation’, interrupted only by the Great Depression, and starting around the time of the Federal Reserve Act of 1913, and of World War I, in 1914, suggesting that the imposition of the Fed, and the instigation of World War I, may have been part of an intervention, by the capitalist ruling class’s ruling faction, to avert the dire predictions of Marx, Veblen, and others.

US Price Levels 1665 to 2005, in Constant (2005) Dollars



There are also public discussions of this mechanism of falling profitability, and viability, for the capitalist system, due to “the growth of the productive forces”, among smaller, lower-plutocracy, manufacturing, competitive capitalists. These discussions typically appear much later than those among advanced economic theorists, like Veblen. A case in point is the 1974 book, for the American Manufacturing Associations, by Robert A. Peters⁸, entitled *Return On Investment*, published in the prelude to the massive 1980s wave of de-industrialization in the United States, whose manufacturing sector has struggled ever since. The Post-WWII development of the capitalist system has got capitalist consultants talking like Marx about the fall of the rate of profit. Key excerpts from that discussion follow --

“The subject of this book is not only important -- it is vital... American industry, collectively, is in trouble, and trends are continuing in the wrong direction. This is not an idle cry of alarm to attract attention. It is very real, and very frightening. The rewards of business have been declining in relation to the investment required to produce these rewards. We are fast approaching the critical point where prospective rewards will not justify the perpetuation of free enterprise as we know it today.”

“...over the past 25 years not only have profits declined in relationship to the equity of shareholders, but, much more important, the return on investment earned by durable goods manufacturers has fallen even more and now can only be classified as marginal.”

“The “return on investment” shown is ... a very real number, directly comparable with the familiar interest rate on savings accounts, bonds, and so on. But almost any way one puts together data involving profit or cash flow on one side, and some definition of investment on the other, the trend lines point the same way -- down! These are, of course, averages; some companies have done better... . But collectively the industrial bastion of our economic system is being seriously undermined.”

“In the late 1940s, business depreciated its assets over an average life of about 20 years. In recent years, however, book depreciation rates for manufacturers of durable goods now average closer to 15 years. The significance of this is very great.”

“Economic obsolescence as a result of advancing technology has a much greater impact than it used to. And the trend undoubtedly will continue, since **the rate of technological progress shows no sign of leveling off.** While cash flows are being stimulated by the **increased depreciation, the need to modernize is now demanding reinvestment more quickly than before.** Even with the stimulus given to cash flow by depreciation, total cash flow (profit and depreciation) in relation to investment has declined. As a consequence, **business has been forced to take on additional debt.** Much of this **debt** has been justified under the banner of expansion, but unfortunately it has in reality resulted from **industry’s inability to earn enough of a return to provide the capital needed to maintain itself in a viable state. ...”**

“From the vantage point of shareholders, cash flow in relation to equity has improved slightly, and acted as a **tranquilizer** or **mask** to the aforementioned **danger signals**. But this is a **phony**. The “improvement” is exclusively the result of **a sharp increase in the percentage of debt as a part of capitalization.** The real problem has been **obscured.** If all this isn’t enough, the **persistent inflation** of recent years has further aggravated matters. Today’s **profits** and cash flows are being measured against **yesterday’s costs** of assets, which of itself tends to produce an **illusion** of well-being that is totally unwarranted... . In a few words: Business desperately needs new tools, for **the old ones are leading us down the primrose path. When returns become insufficient to attract capital, economic stagnation and decay are inevitable. There isn’t much time left to change direction.”**

“... . If **depreciation** [M.D.: of “fixed-capital” plant and equipment] were only of nominal influence, this entire discussion would be a tempest in a teapot. But **as business in general has become more capital-intensive, depreciation correspondingly has grown to a very large number. In heavy industry, it is quite common for book depreciation to equal or exceed reported profits.** ...we have seen that **ROIs for business in total have atrophied over the years to the point of threatening the economic viability of the free enterprise system.** If business, collectively, **cannot generate a satisfactory return on its investment, our way of life is in deep trouble.** And **we are getting close to that point. ...the deteriorating trend of performance in U. S. industry is unmistakable.** Of perhaps more significance, **the absolute numbers are now becoming alarming. Who wants to put their money out to risk in U. S. durable goods manufacturers with returns like these?”**

Back in the 1800s, on the verge of, and shortly after, the “formal” turn into the ‘*descendence phase*’ of the capitals-system, various “insider” observers of the associated economic changes sounded the alarm. The significance of these phenomena of the ‘*descendence phase*’ did not become well-known, among the lower capitalist class, until much later -- even until ~1974. Among the wider public, of the majority class, these same phenomena, and their root cause, remain mostly unknown to this very day. We will cite, here, only two cases, to epitomize the flavor of these experts’ observations --

- Example A: Charles Babbage, from his *circa* 1832 book, **On The Economy of Machinery and Manufactures.**⁹ Even in the early-to-mid 1800s, in the U.K.’s machine-based manufacturing: “The improvement which took place not long ago in frames for making patent-net was so great, that a machine, in good repair, which had cost £1200, sold a few years later for £60. ... the improvements succeeded each other so rapidly, that machines which had never been finished were abandoned in the hands of their makers, because new improvements had superseded their utility.”
- Example B: Harold Livesay, from his book, **Andrew Carnegie and the Rise of Big Business.**¹⁰ In the late 1800s, around 1888, in the U. S. steel industry: “Carnegie ... [gave] his staff standing orders to replace obsolete machinery... . Bill Jones ... soon had a renowned dump full of outmoded though not outworn machinery.... Carnegie once ordered Charles Schwab to rip out and rebuild a three-month-old rolling mill when Schwab said he had discovered a better design.”

Of course, these dynamics, of capitalism-induced productive force growth inducing capital [self-]devaluation -- of ‘techno-depreciation’ and capital’s aspect as ‘*self-contracting value*’ -- are not the same as Marx’s descriptions, e.g., those presented under the title “*The Law of the Tendency of the Rate of Profit to Fall*”, in volume III of **Capital**, edited from Marx’s manuscripts, and published posthumously by Engels. There, Marx describes the tendency of the profit rate to fall, due to a **relative** dearth of surplus-value. Marx’s mathematical model of this law sets net surplus-value, S’, as divided by the capital-value invested to produce it, in Marx’s version, (C + V). Therein, V denotes the capital money invested in wages, and C the capital money invested in non-worker means of production -- in raw materials, wear and tear depreciation [in the “flow” versus the “stock” version of this ratio] of capital plant and equipment, etc.

Multiplying this ratio by 1 in the form of ((1/V)/(1/V)) transforms S’/(C + V) into the more revealing form of (S’/V)/(C/V + 1) -- the ratio of the net *rate of exploitation* of labor divided by the “*organic composition of capital*” [plus 1].

If there is an inherent asymptotic limit on the growth of “*relative* surplus value”, e.g., that of the total duration of the working day itself, that put a lid on the rise of the (S’/V) numerator [which Marx documents, most extensively, in the *Grundrisse*, pp. 333-341], & if (C/V) in the denominator grows without any such limit, reflecting the growth of the productive forces by its faster rise in C than in V, over time, thus in a rise in the % magnitude of the whole C/V ratio, then the % magnitude of this profit ratio as a whole will fall. But that algebraic ratio is just a core, abstract mathematical *model* of how the fall of the rate of profit works. That algebra is *not* the psycho-*physical* mechanism that *causes* the tendency of the general rate of profit to fall in the psycho-*physical* world of the capitalist economy, as experienced empirically, at the outer “*surface of [capitalist] society*” [Marx]. This model models only the abstract, *innermost core* of the capitalist system, the aspect that human theory can know with greatest conceptual clarity. It abstracts from the complex process of *the competition of capitals* by which the law as known for that theoretical core is actually *enforced* in the concrete actuality of the capitalist system. Marx notes repeatedly, in *Capital*, that a detailed account of *the competition of capitals* is outside of the scope of all of the volumes of *Capital*, but is planned for its eventual continuation -- for the volumes beyond *it*.¹¹

Marx’s Concept of the Innermost Core of Capitalism versus “The Surface of [Capitalist] Society”.

Marx notes repeatedly, in the *Grundrisse* and elsewhere, the distinction between the laws of capital as they appear in their *innermost core*¹¹, accessible only to abstract theory, versus at “*the surface of society*”. Our conjecture is that the account given in this article is close to the “*competition of capitals*”, “*surface of society*” account that Marx intendedly would have delivered, had he lived to write the other «*buchs*» of his planned 6+ treatises [of which all of *Capital*’s four volumes comprised only the first of those six+ treatises].

A Key Phenomenon-of-the-Transition from the ‘Ascendence Phase’ to the ‘Descendence Phase’.

The ‘*ascendence phase*’ of capitalism, we hold, corresponds approximately to what Karl Polyani termed [excluding the U.S. *Civil War* from his account] “The Hundred Years’ Peace”, achieved from ~1815 to ~1914 C.E.

According to Karl Polyani, as interpreted by the World Economics Association [WEA]: “The nineteenth century produced a phenomenon unheard of in the annals of Western civilization, namely, a hundred years’ peace—1815-1914. Apart from the Crimean War—a more or less colonial event—England, France, Prussia, Austria, Italy, and Russia were engaged in war among each other for altogether only eighteen months. A computation of comparable figures for the two preceding centuries gives an average of sixty to seventy years of major wars in each. But even the fiercest of nineteenth century conflagrations, the Franco-Prussian War of 1870-71, ended after less than a year’s duration with the defeated nation being able to pay over an unprecedented sum as an indemnity without any disturbance of the currencies concerned.” [<https://weapedagogy.wordpress.com/2019/06/03/the-hundred-years-peace/>].

But, even before, and, we conjecture, leading up to the 1914 start of World War I, a little noted, ~20 year event occurred, from ~1870 to ~1890, that, per our hypothesis, signaled, to the upper capitalist ruling class, the *fatal flaw*, from their point of view, of the capitalist system, and their need to, first, order the study of the theories -- e.g., those of Marx, Veblen, etc. -- that claimed to explain this *fatal flaw*. This study to be carried out by their intellectual servants, the best minds that their money could buy. Second, informed thereby, their desperate need was to *intervene, against “their” capitalist system*, in order to avert their loss of capital wealth, of social position, and of exploitative power, which would otherwise ensue due to this *fatal flaw*.

This event is known as “The Great Deflation”, a ~2-decade period during which the world prices of factory-made commodities and materials, as well as of labor-power, fell, due to dramatic increases in the productivity, or productive force, of industrializing economies, leading to several so-called depressions, during the period from ~1870 to ~1890, which were actually “profit recessions”. We hypothesize that their propagation of the Eugenics ideology, their plan for the Federal Income Tax and the Federal Reserve, and their plan for WWI, etc., were born in *reaction*, by an emerging ruling faction of the capitalist class, especially to this event. [See *Wikipedia* article, entitled “*The Great Deflation*”, dd. 21 May 2019].

Abstracting from the Political Dimension of Political-Economy -- ¿What Would Have Happened if the Ruling Faction of the Core Capitalist Ruling Class Hadn't Intervened Against the 'Technodepreciation' of their Capital Base, and Resulting Falling Profit Rate?

It would be completely counter-factual, and, strictly speaking, *unimaginable*, to imagine that the ruling faction of the core capitalist ruling class would react passively to, and acquiesce in, their loss of their power, losing it to both core, home-grown, legacy-less, high-tech. new entrant capitalist entrepreneurs, and to upstart, newly-industrializing capitalist classes in the geographical semi-periphery of that capitalist core, all due to 'techno-depreciation', i.e., due to the growth of the '*societal self-re-productive self-force*', after fixed capital became the major component of total capital. But, if we wish to do so, as a "thought-experiment", we can reason completely implausibly, abstracting from the political dimension of capitalist political-economy, by regarding the capitalist system as a machine with a very passive ruling-class collective psychology. Doing so, we might infer that the core, ruling capitalists would be *overthrown by capitalism itself*, supplanted by high-tech. new entrants in the core, and by new, rising, national[ist] capitalist ruling classes in the later-industrializing semi-periphery and periphery. Like many industrial capitalist cities, whose once-prosperous urban cores later decayed, while prosperity migrated to successive concentric suburban and exurban rings, the original geographical core of capitalism would decline in power, superseded in power by a series of "≈concentric" swaths of semi-periphery and periphery. Like many a [former] main sequence star, whose cessation of core Hydrogen fusion is accompanied by ignition and fusion "burning" of a succession of concentric spheroidal shells containing still fusible fuels, profitability in the capitalist core might collapse, but with higher profit rates persisting, for a time, in the semi-periphery and periphery of that core. This process could ensue *until* "growth of the productive forces", e.g., the rate of technological progress, and, with it, the rate of technological innovation in means of production design, plus the reduction of reproduction costs of means of production, due to innovations-based higher productivity in their production, together with the rising vulnerability to 'techno-depreciation' of older-vintage means of production, due to a rising preponderance of fixed capital in the composition of total capital, became so pronounced as to make rates of return on investment '*un*motivating' to profit-seeking investment in production.

About the author. Miguel Detonaciones is the *nom de plume* of a member of **Foundation *Encyclopedia Dialectica* [F.E.D.]**, a public interest "think tank" devoted to developing the mathematics of dialectics, and its application to solve the real world, life-or-death problems of present, '*descendence-phase*' capitalism.

Endnotes.

1. Karl Marx and Friedrich Engels, *Basic Writings on Politics and Philosophy*, Lewis S. Feuer, editor, Anchor Books, New York, 1959, pp. 43-44, *italics emphasis* added by M.D.
2. See Karl Marx, *Pre-Capitalist Economic Formations*, translated by Jack Cohen, edited by E. J. Hobsbawm, International Publishers, 1969, New York, pp. 68-99.
3. Karl Marx, *Capital: A Critique of Political Economy, Volume I*, International Publishers, New York, 1967, p. 10, Preface to the First German Edition, *italics emphasis* added by M.D. -- "And even when a society has got upon the right track for the discovery of the natural laws of its movement -- and it is the ultimate aim of this work, to lay bare the economic law of motion of modern society -- it can neither clear by bold leaps, nor remove by legal enactments, the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth-pangs." [The last sentence states what we call 'the Marxian-Seldonian principle', wherein the second of the hyphenated names references the fictional core character of Isaac Asimov's Foundation 'heptalogy'.].
4. Joseph M. Gilman, *The Falling Rate of Profit: Marx's Law and its Significance to Twentieth-Century Capitalism*, The University Press, 1957, Glasgow, Appendix 3., data through 1952.
5. Geert Reuten, "*The Incompatibility of Prolonged Technical Change and Competition: Concurrence and the Socialization of Entrepreneurial Losses through Inflation*".
6. Thorstein Veblen, *The Theory of Business Enterprise*, Charles Scribner's Sons, NY, 1904, pp. 248-255, *emphases added* by M.D.]
7. Source: <http://oregonstate.edu/cla/polisci/faculty-research/sahr/pl1665.htm> [see also http://oregonstate.edu/cla/polisci/sites/default/files/faculty-research/sahr/inflation-conversion/pdf/price-levels_1774-2012.pdf for an update to 2012, which shows a slight down-tick of inflation in ~2008 for "The Great Recession"].
8. Robert A. Peters, *Return On Investment*, American Management Associations, AMACOM division, NY, 1974, pp. 1-5, 13, 35, 44; *italic, bold, color*, and *underline emphasis* added by M.D.
9. Charles Babbage, *On the Economy of Machinery and Manufactures*; The Echo Library, Teddington, Middlesex, U.K., 2008, p. 161.
10. Harold C. Livesay, *Andrew Carnegie and the Rise of Big Business*, The Library of American Biography, NY, 2007, pp. 127-128.
11. Karl Marx, *Capital: A Critique of Political Economy, Volume III*, Int'l. Publs., NY, 1967, see, e.g., pp. 83, 108, & 110 [especially].
12. Karl Marx, *Grundrisse*, translated by Martin Nicolaus, Penguin Books, NY, 1993, pp. 247; 402-403; 413-414; 552: "...to the extent that capital does not increase absolute labor-time but rather decreases the relative, necessary labor time, *by increasing the force of production*, to that extent does it *reduce the costs of its own production* -- ...reduces its exchange value: *one part of the capital on hand is constantly devalued* owing to a *decrease in the costs of production at which it can be reproduced*; *not* because of a decrease in the amount of labor objectified in it, but because of a decrease in the amount of living labor which it is *henceforth* necessary to objectify in this specific product. This *constant devaluation of the existing capital does not belong here*, since it already *presupposes capital as completed*. It is merely to be noted here in order to indicate how later developments are already *contained in the general concept of capital. Belongs in the doctrine of the concentration and competition of capitals.*" [pp. 413-414].