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DI ECONOMIA POLITICA E STATISTICA

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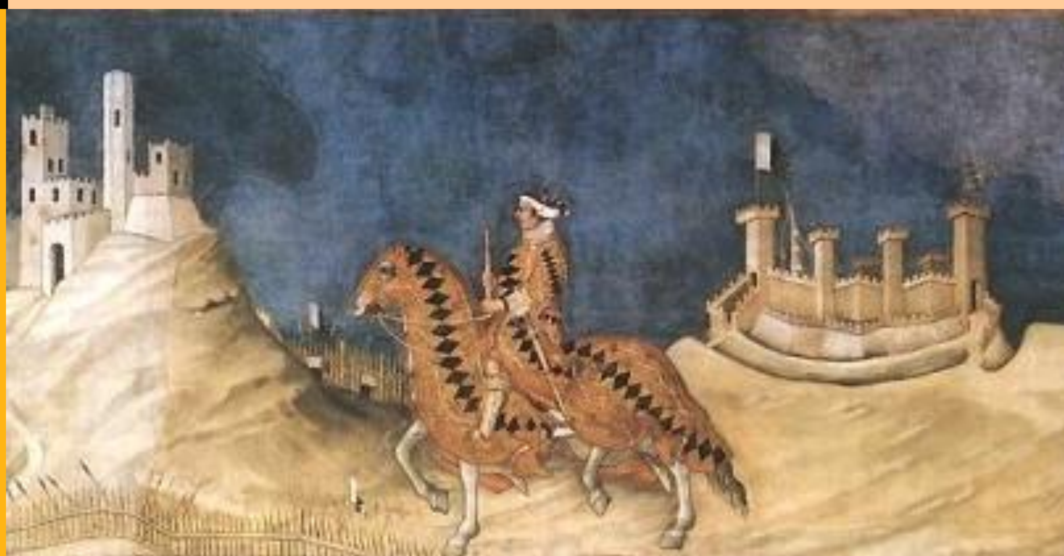
n. 843 – Ottobre 2020



A Note on the Interpretation of Financialization as the 'Sixth Countertendency' to Marx's Law of the Tendency of the Rate of Profit to Fall

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Abstract: Marxian economics has been dealing extensively with the phenomenon of financialization. Among the wide variety of approaches, there are those putting at the center of the stage the issue of faltering profitability. Besides the analytical arguments, one finds in this line of research contributions linking financialization and the list of counter-elements to the Law of the Tendency of the Rate of Profit to Fall. Financialization is thus interpreted as the 'sixth' countertendency to that law (the 'increase of stock capital'), referring to the list in Chapter XIV of *Capital*, Vol. III. We aim to provide an alternative interpretation of that last counter-factor. The proposal is based on three elements. First, the role of joint-stock companies issuance of long-term financing instruments yielding low remuneration. Second, how the average rate of profit is calculated. Third, the role of the organic composition of capital in determining differences in sectoral profitability. We eventually claim that the sixth element should be read as referring to the convergence of the rate of profit towards a uniform value and not as a prediction of the emergence of financialization.

Word Count: 7964 words.

Keywords: Law of the Tendency of the Rate of Profit to Fall; Karl Marx; financialization; Capital, Volume III; rate of profit

JEL Codes: B14, B26, B51

1. Introduction

Nowadays, financialization is an established theme of discussion in heterodox economics. Unsurprisingly, given the many facets it has, this subject is a field of numerous and long-lasting debates (Sawyer 2013, 2018; Vercelli 2013; Mader, Mertens, and van der Zwan 2020). Among the schools of thought involved, the Marxian strand plays a prominent role. For instance, the first authors who openly spoke of the explosion of finance as a major feature of US capitalism were Magdoff and Sweezy (1987) for the *Monthly Review*. Financialization is a process that accompanied and characterized the last decades of advanced capitalism, those marked by dramatic economic and social changes, and culminated in the Great Recession. The Marxian theory is a considerably rich field of explanations for crisis and capitalism restructuring, which may ensue from profit-squeeze, falling profitability, and realization failures (Weisskopf 1979). It comes then at no surprise that the discussion in the Marxian field on the development of financialization and the origins of the last big crisis is very variegated (Basu and Vasudevan 2013; Sotiropoulos and Hillig 2020). Traditionally, when discussing structural changes in a capitalist system, a prominent role tends to be attributed to the Law of the Tendency of the Rate of Profit to Fall (LTRPF) (Shaikh 1992), stated by Marx in Chapter XIII of his *Capital*, Vol. III. Even though the LTRPF has been given several nuances, interpretations, and modifications over the years, the idea is that behind noticeable transformations in advanced capitalist economies, falling profitability still plays a remarkable role. This can be seen, for example, in the explanations that, despite their not strict adherence to the LTRPF, place faltering profitability at the heart of the tendency for advanced economies to become increasingly financialized and caught in

Secular Stagnation (Brenner 2012; Magdoff and Foster 2014; Bischoff, Krüger and Lieber 2018).

This paper aims to focus on a specific point: the connection between financialization and the LTRPF in terms of the former being read as a ‘sixth’ countertendency to the latter in light of Marx’s list of countervailing forces preventing falling profitability (Giacché 2011; Guillén 2014; Mavroudeas and Papadatos 2018). It is important to remark that we neither intend to criticize the attempt to argue for financialization as a capitalists' response to the LTRPF, nor the possible linkages between Marx's discussion of the financial sphere and the current period of financialization. These arguments would require a much broader and comprehensive treatment (Di Bucchianico 2019). We aim to provide an alternative interpretation of that last countertendency. Hence, we argue that Marx was referring to the tendency for the general rate of profit to settle to a uniform value throughout the economy, rather than to spreading speculation and finance as a factor contrasting a falling rate of profit. We believe our interpretation may contribute to the debate besides the discussion on financialization. For instance, authors such as Sweezy, Foley, and Harvey left that countertendency aside. More recently, when testing empirically the LTRPF, Basu and Manolakos (2013) set the sixth countertendency out, claiming that it is not clear what Marx was referring to.

The paper is structured as follows: Section 2 recalls the interpretation of the ‘sixth’ countertendency we want to discuss; Section 3 provides an alternative interpretation for the passages in Marx’s *Capital*, Vol. III; Section 4 concludes.

2. The Law of the Tendency of the Rate of Profit to fall and financialization

2.1 – LTRPF and finance in Capital, Vol. III

Despite the lack of a final version drafted by Marx, the third volume of Capital proved to be a rich source of valuable insights. Among those, in light of this paper, two are particularly interesting. First, Marx stated in Chapter XIII the LTRPF. In a nutshell, such a law describes the tendency of the rate of profit to fall during capitalist accumulation. Given the well-known calculation of the rate of profit as below

$$r = \frac{S}{C+V} = \frac{\frac{S}{V}}{\frac{C}{V}+1} \tag{1}$$

where S is surplus-value, C is constant capital, and V is variable capital (all expressed in embodied-labor). The rate of profit r depends on the rate of surplus-value S/V and the organic composition of capital C/V. Under the supposition of technical progress entailing ever-increasing mechanization, there are two consequences. First, the rate of surplus-value tends to increase owing to increased labor productivity due to mechanization. Second, the organic composition of capital tends to increase because of the enlargement of the share of capital advances allotted to the necessary means of production. This second tendency is also linked to the first, as the introduction of labor-saving technical improvements is supposed to heighten the organic composition of capital while reducing the source of surplus-value, namely employed living labor.

Given that surplus-value extraction encounters limits that the rise of the organic composition of capital does not have, the rate of profit is supposed to be bound to fall in the (possibly very) long-term. Nonetheless, Marx accompanied this law with six countertendencies. He supposed them to be capable of attenuating or even temporarily reversing the fall of the rate of profit, thereby conferring to the phenomenon the character of a tendency. In Chapter XIV, he listed the factors that can act against the fall of the rate of profit: (1) increasing intensity of exploitation, aimed at raising both absolute and relative surplus-value extraction, (2) depression of wages below the value of labor power, (3) cheapening of elements of constant capital, becoming less expensive due to enhanced labor productivity, (4) relative overpopulation, which can weaken laborers' strength through the increasing size of the industrial reserve army, (5) foreign trade, which can cheapen the elements of constant and variable capital via imports, (6) the increase of stock capital. The LTRPF spurred an enormous debate on its logical, methodological, and historical validity. Going through the whole discussion is beyond our aim; for a review of some of the most important aspects of the debate, see Basu and Manolakos (2013, 76-78).

Second, *Capital*, Vol. III also hosts an incredibly rich and variegated analysis of the financial sphere of a capitalist economy, dwelling among other issues on the nature and role of interest-bearing capital, fictitious capital, credit, the rate of interest, and the banking sector (Fine 1989; Panico 1980; Shuklian 1991). Besides the now-classic developments of some of these concepts by later authors (one remarkable example is Hilferding [1910] 1981), they find in more recent analyses a place when dealing with financialization. The examples are many, and we do not claim for exhaustiveness (for a comprehensive review, see Mavroudeas and Papadatos 2018). Fine (2013) finds the

defining trait of financialization to be the astounding expansion of interest-bearing capital. The author distinguishes between its expansion in intensive form, meaning the diffusion of financial assets detached from the spheres of production and circulation, and extensive form, namely the spreading of interest-bearing capital into new fields of economy and society. Lapavitsas (2013) introduces the concept of 'financial expropriation', which allows the extraction of profits from interests and fees charged on workers who are forced to incur into private debt by welfare state expenditure cuts and stagnating wages. Bryan, Martin, and Rafferty (2009) try to carry the analysis of finance forward with respect to that of Marx's times by contemplating the transformation of labor in a form of capital, while Bellofiore (2011) labels the last decades as a 'money-manager era' in which the LTRPF and underconsumptionist tendencies had both been successfully mitigated. Of course, there are also authors who are skeptical about the usefulness to utilize the financialization category to inform the study of the ascendance of finance in the last decades, such as Michell and Toporowski (2013).

2.2 – Financialization as a 'sixth' countertendency to the LTRPF

In the Marxian literature on financialization, we also find interpretations of this phenomenon as a consequence of the LTRPF, and a factor contrasting it. With this in mind, it is reasonable to look for insights from Marx's analysis of the countertendencies to the LTRPF in search of possible references. Before reviewing some of the contemporary interpretations that move along these lines, we refer at first to an author who explicitly included the role of share capital in thwarting the LTRPF by making direct reference to Marx's list. Grossmann, in his *The Law of Accumulation and*

Breakdown of the Capitalist System ([1929] 1992, 130-200), lists several elements that play a role in counteracting the fall of the profit rate. He includes in the list the "expansion of share capital" (ibid., 158-159). His interpretation points to the increasing form taken up by social capital, which tends to become more and more share capital. The small section opens with the following quote from Marx (2010, 239):

> these capitals, although invested in large productive enterprises, yield only large or small amounts of interest, so-called dividends, once costs have been deducted. . . These do not therefore go into levelling the rate of profit, because they yield a lower than average rate of profit. If they did not enter into it, the general rate of profit would fall much lower.

Grossmann argues that social surplus-value can be split into a portion devoted to accumulation and a portion devoted to capitalists' consumption. If a group of capitalists such as those owning shares, bonds, and debentures is supposed to consume less than the part accruing to them, the remainder constitutes an addition to the social surplus value that can be devoted to sustaining accumulation. It follows that "the fact that many strata of capitalists are confined to strictly this normal interest, or dividend, is thus one of the reasons why the breakdown tendency operates with less force" (ibid., 158-159).

Let us now move to some contemporary contributions. Giacché (2011) engaged in an examination of the supposed role of financialization in the last decades as a contrasting element to the LTRPF. He discusses the first five counteracting factors to the LTRPF, and then he adds to the list the "increase in interest-bearing capital" which, in his view, means "investments in credit and financial activities. The importance assumed by 'interest-bearing capital' in the past few decades is one of the keys to

understanding the processes underlying the current crisis and the events that triggered it" (ibid., 24-25). Hence, financialization is seen as a 'sixth' countertendency, and the reference to interest-bearing capital in the form of financial activities opens the subsequent analysis. Financialization, in the author's view, served three main purposes. First, allowing families to get by despite stagnating real wages, thanking, in particular, Federal Reserve's loose interest rate policy and ballooning house market's price courses. Second, sustaining industrial profitability via enhanced consumers' demand (as for the previous point) and offering firms the alternative to real investment constituted by financial operations. Third, providing the possibility to speculate in financial markets and earn profits from these activities on an unprecedented scale.

Another recent take on financialization is offered by Mavroudeas and Papadatos (2018), who maintain Classical Marxism to be best equipped to deal with this theme. The authors claim that, within that framework, it is possible to study financialization in a context where financial and real aspects of capitalistic accumulation and surplus value extraction are naturally tied together. In their view, the sphere of production is the crucial stage in which surplus-value extraction occurs; however, money and commercial capitals concur in sharing that surplus-value. Then, by resorting to the Marxian category of fictitious capital as a peculiar manifestation of interest-bearing capital, they see its expansions under two respects. On the one hand, they single out its connection with the rise of joint-stock companies and the ensuing surge of stock exchanges and credit concessions. On the other hand, they pinpoint the linkage with investors' tendency to be caught in waves of too-optimistic or too-pessimistic expectations. When optimistic expectations - which led to the ballooning expansion of fictitious capital - are not confirmed by the economy's real part, growth stumbles, as in the post-1973 phase. In

those years, intensified labor exploitation and an astonishing diffusion of fictitious capital only postponed the general crisis unraveled in the US financial market. This shows “the ability of the credit system, when real accumulation starts facing difficulties, to continue making profits and thus delay the fall of the general profit rate. But despite the relative autonomy of the credit system, its operations ultimately comply with the essential motion of capitalist accumulation” (ibid., 471). To show the reader the ability of Marxist theorists to well-illustrate this kind of process, the authors refer to Itoh (1988) for what regards the analysis in a cyclical perspective, and Grossmann ([1929] 1992) for the linkage with the longer-term accumulation process, quoting the passage mentioned above.[1] Thus, they see financialization as a sort of red herring that can be understood as a natural consequence of faltering profitability. This is something mirrored by the increasing diffusion of share capital that Grossmann included in the list of countertendencies to the LTRPF when referring to Marx’s quote.

Guillén (2014) tackles the issue of financialization from a different angle. In that paper, the author concentrates on the work of Hilferding on finance capital, maintaining that the central issue of his theoretical enterprise was the analysis of monopoly-finance capital and its crucial role in managing fictitious capital. The author argues that the financial sector, owing to the possibility for monopoly-finance capital to command fictitious capital, earns considerable amounts of extra-profits. Such a phenomenon crucially depends on the rise of joint-stock enterprises, whose shareholders earn dividends that have a size comparable to the rate of interest. In connection with this, Guillén suggests to clearly distinguish between the concepts of ‘monopoly-finance capital’ and ‘financialization’, that is a distinctive trait of the neoliberal era but not a

[1] For a more detailed analysis of the theoretical model Grossmann developed, see Mavroudeas and Ioannides (2006).

necessary feature of monopoly-finance capitalism. Somehow in line with Giacché (2011) and Mavroudeas and Papadatos (2018), Guillén (2014) considers financialization as a response to falling profitability, whose origin ought to be traced back to the Seventies. Of particular interest to our inquiry is the connection of this reconstruction with Marx's list of countervailing factors. In the author's words, the extra-profits of the financial sector "would have to be considered one of the principal mechanisms that counteract the falling rate of profit in monopoly capitalism. The relationship between the emergence of joint-stock companies and the factors working against the law of the falling rate of profit had already been brilliantly described by Marx in Volume III of Capital" (ibid., 467). Soon after, the author quotes the already-recalled passage from Marx, in a slightly longer version.

A less explicit reference to the passages we are scrutinizing can be found in Bond (2018), whose aim is to analyze South Africa's crisis in a Marx-Luxemburg-Harvey framework, which rests on *Capital* Vol. III. Yet, the reasoning appears in line with what we are reviewing: within the article, the author discusses over-accumulation in the era of joint-stock companies that followed Marx's death. With investment in capital-intensive techniques, intensifying exploitation, and accelerating capital circulation, the author argues that financialization is another way to delay crisis events (ibid., 301-302). Finally, an author who deals with the subject of finance and credit in Capital *Vol*. III but makes a different link with the LTRPF is Ramirez (2019).[2] Among other things, the author singles out Marx's careful description of the adverse effects that the LTRPF and underconsumptionist tendencies have on capital accumulation. Albeit not included by Marx in the list of countertendencies, Ramirez argues that credit can

[2] Further thoughts on Marx's dialectical view of economic and financial crises can be found in Scarano (2018).

play an important role in contrasting the LTRPF in several ways. They are: facilitating capital flows across productive sectors, shortening the turnover of capital, and fostering concentration and centralization tendencies owing to the emergence of joint-stock companies. A thoroughgoing analytical treatment of the role of the rate of capital turnover as a countertendency to the LTRPF in relation to a process of financial development can also be found in Passarella and Baron (2015).

3. An alternative interpretation

3.1 – The 'sixth' countertendency revisited

In this section, we will try to bolster our case for an interpretation of the 'sixth' countertendency to the LTRPF along a different line. Before moving to our interpretation, we want to show at first how it seems that, contrary to what Grossmann did, other influential Marxist authors did not give to this countervailing factor a weight comparable to the other five. Let us take some examples. Sweezy in *The Theory of Capitalist Development* ([1942] 1964, 97-100) devotes an entire section to the countertendencies to the LTRPF. When opening the section, he says that

> Marx enumerates six 'counteracting causes' which 'thwart and annul' the general law of the falling rate of profit, 'leaving to it merely the character of a tendency.' One of these, the sixth, is really concerned with the way in which the rate of profit is calculated and will not be considered here. The other five may be classified

> according to whether their effect is to keep down the organic composition of capital or to raise the rate of surplus value.

Another author, Foley, in *Understanding Capital* (1986, 132-134) contemplated the LTRPF countertendencies but did not mention that factor at all. Harvey, in *The Limits to Capital* (1982, 178), says that "Marx lists six such counteracting influences in Capital, but two of these (foreign trade and in increase in stock capital) fail to conform to his usual assumptions (a closed economy and a concept of surplus value that precludes the facts of distribution)". Therefore, he goes on listing only the rising rate of exploitation, the falling costs of constant capital, the depression of wages below the value of labor power, and the increase in the industrial reserve army. Hence, to begin with, it appears that this last factor has been basically neglected by some authoritative Marxist scholars. We take this as a non-negligible sign, but we want to go more in-depth instead of setting the sixth countertendency aside.

For the sake of moving our inquiry forward, we believe the best thing to do is to quote from the original text the entire concluding paragraph of the list of countervailing factors (Marx 2010, 238). This allows the reader to get a picture that is not too narrowly focused on the passage on interest-bearing capital.

> The foregoing five points may still be supplemented by the following, which, however, cannot be more fully treated for the present. With the progress of capitalist production, which goes hand in hand with accelerated accumulation, a portion of capital is calculated and applied only as interest-bearing capital. Not in the sense in which every capitalist who lends out capital is satisfied with interest, while the industrial capitalist pockets the investor's profit. This has no

> bearing on the level of the general rate of profit, because for the latter profit = interest + profit of all kinds + ground rent, the division into these particular categories being immaterial to it. But in the sense that these capitals, although invested in large productive enterprises, yield only large or small amounts of interest, so-called dividends, after all costs have been deducted. In railways, for instance. These do not therefore go into levelling the general rate of profit, because they yield a lower than average rate of profit. If they did enter into it, the general rate of profit would fall much lower. Theoretically, they may be included in the calculation, and the result would then be a lower rate of profit than the seemingly existing rate, which is decisive for the capitalists; it would be lower, because the constant capital particularly in these enterprises is largest in its relation to the variable capital.

In what follows, we will provide a rationale for this paragraph whose construction will be based on three main elements we detect in this exposition of the sixth factor.

The first element is a contextualization of the statement that "With the progress of capitalist production, which goes hand in hand with accelerated accumulation, a portion of capital is calculated and applied only as interest-bearing capital". This element can be linked to the emergence of joint-stock companies.[3] Marx was well aware of this phenomenon, so much that, as Toporowski (2018) argues, he had the intention to re-write Vol. III of *Capital* to better handle this issue. Toporowski (2018) maintains that long-term financial instruments widened the scope for capital concentration and centralization. He argues that, on the one hand, the industrial sphere succeeded in financing its operations via the issuance of bonds and equities, making it less dependent on the owner's capital. On the other hand, Toporowski explains how the increase in

[3] For a detailed reconstruction of Marx's description of this process in his writings, see Dellheim (2018).

mechanization called massively for new capital, that was gathered through short-term borrowing from the banking sector. However, with the rise of a new organization for financial markets, short-term borrowing was steadily replaced by longer-term financial instruments such as bonds. This issue is also stressed by Ramirez (2019, 58), who explains that the role of credit in Vol. III of *Capital* is, among other things, that of speeding up the process of capital concentration. Such a process makes room for the rise of joint-stock companies that operate on a large scale of production. The description of this process, as Guillén (2014) recalls, was carried forward by Hilferding and other authors.

The second element concerns the reason why this diffusion of interest-bearing capital ought to counteract the LTRPF. Here things appear well-described by Sweezy's reference to the sixth countertendency as a purely formal factor. The reasoning of Marx appears, in fact, straightforward: "These [dividends] do not therefore go into levelling the general rate of profit, because they yield a lower than average rate of profit. If they did enter into it, the general rate of profit would fall much lower". If there is a particular sector in which capital yields a systematically lower-than-average profit rate, its inclusion in the calculation of the average rate of profit ruling in the economy would drive its value down. In this case, however, further qualification is needed. The reasoning within Marx's framework, in which gravitation towards the establishment of a general rate of profit throughout the economy is present, should involve an adjustment process for a sector exhibiting a lower-than-average rate of profit. The natural response should be a heightened flux of surplus-value towards that sector, such as to guarantee

profit rate uniformity.[4] As Garegnani (1984, 305-309) illustrates, this tendency was strictly related to the fact that, were commodities exchanged according to the quantities of labor necessary to produce them, the sectors featuring a higher organic composition would yield a lower rate of profit, while those featuring a lower organic composition would yield a higher rate of profit. Thus, competition will cause surplus-value to redistribute in such a way as to ensure profit rate uniformity. Therefore, what appears to be missing - at least in this passage - is why the sector that experiences a low profit rate should remain outside the process of convergence towards a uniform rate of profit. Yet, the presence of such a sector is explicit, and Marx claims that the general rate of profit can be calculated without taking it into account. This seems evident when Marx says that it is the rate of profit realized in the rest of the economy, the one that truly matters to capitalists' eyes.

The third (and last) element explains the reason why we can expect that the rate of profit (approximated by the dividends yielded by share capital) to be earned on those capitals is a "lower rate of profit than the seemingly existing rate, which is decisive for the capitalists". The key factor is the organic composition of capital: indeed, "the constant capital particularly in these enterprises is largest in its relation to the variable capital". The example describes an extreme case: the organic composition of capital causing a particularly low profit rate is the highest to be found throughout the economy. This qualification is, in our opinion, crucial. In fact, if the differences in organic compositions across the economy are the truly relevant factors, we can expect analogous reasoning to apply to the opposite case. Indeed, as the exclusion from the calculation of the average rate of profit of a sector with a high organic composition

[4] Marx also noticed the shortcoming of prices deviating from values when this process is in motion. We shall not here discuss what this implies in terms of the "transformation problem" opened in Chapter IX of *Capital*, Vol. III.

helps to mitigate the LTRPF, so does the expansion or opening of sectors in which the organic composition is very low.

Interestingly enough, both Harvey and Grossman point out the presence in Marx's writings of this kind of reasoning. Harvey (1982, 178) singles out the fact that in the *Grundrisse* Marx lists some forces that can delay the rate of profit fall. Among those, the fall in the rate of profit can be "delayed by creation of new branches of production in which more direct labour in relation to capital is needed, or where the productive power of labour is not yet developed" (Marx 1993, 750-751). According to Harvey, some of those elements only have purely transitory relevance, but the creation of new productive sectors in which variable capital is a sizable part of total capital advances has the potential to affect the general profit rate also in the long-haul. Grossmann ([1929] 1992, 147-149) also includes in his list of the countervailing factors "the emergence of new spheres of production with a lower organic composition of capital" and states that this tendency acts as a restrain to the breakdown caused by the LTRPF. This statement is immediately preceded by a quote from Marx's *Theories of Surplus-Value* (1968, 435), which we report in a more extended version.

> Furthermore: if a new branch of production comes into being in which a disproportionate amount of living labour is employed in relation to accumulated labour, in which therefore the composition of capital is far below the average composition which determines the average profit, the relations of supply and demand in this new trade may make it possible to sell its output above its *cost-price*, at a price approximating more closely to its *actual value*. Competition can level this out, only through the raising of the *general level* [of profit], because

> capital on the whole realises, sets in motion, a greater quantity of *unpaid surplus-labour*. (emphasis in the original)

We add to these considerations that even when discussing the countervailing element of relative overpopulation, Marx singled out the relevance of the unusually low organic composition in some sectors not yet developed (*Capital*, Vol. III, 2010, 235).

> On the other hand, new lines of production are opened up, especially for the production of luxuries, and it is these that take as their basis this relative overpopulation, often set free in other lines of production through the increase of their constant capital. These new lines start out predominantly with living labour, and by degrees pass through the same evolution as the other lines of production. In either case the variable capital makes up a considerable portion of the total capital and wages are below the average, so that both the rate and mass of surplus value in these lines of production are unusually high. Since the general rate of profit is formed by levelling the rates of profit in the individual branches of production, however, the same factor which brings about the tendency in the rate of profit to fall, again produces a counterbalance to this tendency and more or less paralyses its effects.

Therefore, in these quotes we can see the other extreme in the range of organic composition intensity: a very low organic composition, provided competition is free to operate, acts in the sense of boosting the level of the average rate of profit. There thus appears to be in Marx's writings the hint to an effect analogous but opposite in sign to that of an extremely high organic composition.

3.2 – Some additional elements

At this point, it is in our opinion opportune to widen the gaze in order not to remain caught in a too-narrow discussion of the issue. Hence, we provide two examples which, albeit not strictly related to the main subject we wanted to analyze, are suggestive and can help frame the issue better. The first example concerns how Marx dealt with the reasons why absolute rent emerges. Fratini (2018) reports Marx's numerical example in *Capital* Vol. III (2010, 750-751) regarding the determination of absolute rent (see also Fine 1979, 258-264). In that example, the agricultural and industrial branches of production exhibit the same rate of surplus value, but the agricultural sector features a lower organic composition of capital. This causes the agricultural rate of profit to be higher, thereby the process of deviation of prices from values necessary to bring about profit rate uniformity ought to be triggered. Nonetheless, it must be considered that "agriculture is not a sector like any other. The private ownership of land represents a barrier against the investment of capital upon uncultivated soil. New land cannot be tilled until the barrier is removed by the payment of rent" (Fratini 2018, 5).[5] It is thus possible to see how in *Capital* Vol. III Marx resorted to two main elements to set forth the description of absolute rent formation. First, a difference in the organic composition of capital characterizing the agricultural and industrial sectors, supposed to be higher in the latter. This is particularly evident in this passage (Marx 2010, 752; quoted in Fratini 2018, 6-7)

> If the average composition of agricultural capital were equal to, or higher than, that of the average social capital, then absolute rent - again in the sense just described -

[5] For a discussion of how rent can be treated within a Sraffian price equations system, see Fratini (2016).

> would disappear; i.e., rent which differs equally from differential rent as well as that based upon an actual monopoly price. The value of agricultural produce, then, would not lie above its price of production, and the agricultural capital would not set any more labour in motion, and therefore would also not realise any more surplus labour than the nonagricultural capital. The same would take place, were the composition of agricultural capital to become equal to that of the average social capital with the progress of cultivation.

This aspect is the one we hinted at before: in the brief discussion on the increase in stock capital, Marx might have been referring to another example in which the starting point is the supposition for a particular sector to exhibit a higher-than-average organic composition of capital. Second, landlords' property rights on land impede the process of leveling rates of profits out throughout the economy represented. In this case, uniformity for the profit rates is achieved because extra-profits in the agricultural sector (the one with the lower organic composition) become absolute rent accruing to landlords. In the case of our interest, Marx is not explicit in saying why sectors such as railways remain outside the gravitation process.

The second example we want to show is even further from the discussion about the sixth countertendency. It is in our opinion interesting to look at the issue at stake by comparing Marx's notes with the reasoning that comes from an author alien to the Classical-Marxian tradition: Knut Wicksell. Following Garegnani (1976), we consider that, despite even very radical differences in terms of the theory employed, there were relevant analogies between the Classical authors and Marx and the early Neoclassical writers for what concerns the methodology of analysis employed. Therefore, although Wicksell was following an altogether different theoretical framework, we believe this exercise also helps to see how some issues, such as the treatment of particular sectors as

branches that ought to be excluded from the gravitation process, can resurface under different forms. As Imperia, Maffeo and Ravagnani (2018) show, Wicksell engaged in a critique of Walras's treatment of interest and capital. Among other things, the authors highlight Wicksell's uneasiness with Walras's exclusion of circulating capital from the analysis of these aspects in the second and third editions of the *Éléments*. What is of interest to us is that Wicksell, in his *Value, Capital and Rent* (1954, 105), for the sake of pinpointing which capital goods should be included in the group that matters for the determination of the interest rate, sorted them out in two different categories. The twofold categorization he employed was built on the following differentiation.

> […]it seems best to me for the purposes of the following investigation to class the different capitals simply *according to their durability*. In what follows I shall call the highly durable goods rent-goods, whether they are products themselves, or, like virgin soil, goods furnished by nature itself and whether they yield useful services spontaneously or only by the addition of human labour. Consumable or quickly exhausted production or consumption goods, so long as the latter are not yet in the hands of consumers, I shall call capital-goods or capital in the narrower sense. (emphasis in the original)

Later on (ibid., 118-119), when dealing with the role of long-lived capital goods in determining the rate of interest, the Swedish economist figured out the issue in these terms:

> […]goods of greater durability (such as streets, railways, buildings, etc.) cannot be regarded or treated as capital in the narrower sense, but, once they are there, must be placed, economically speaking, in the same category as landed property

> itself. In other words, if, in accordance with Bohm-Bawerk's precedent which we ourselves shall later follow, all existing capitals are united in one sum, in order to use this sum as an element in the theoretical determination of the level of interest and of wages, it would be misleading to think of the capital value of all railways, buildings, etc., as being included in this sum. This value is rather, like the capital value of landed property itself, to be thought of as a secondary phenomenon which has no influence on the determination of the above-named magnitudes. The net interest of durable goods, however, is determined, like ground-rent, simply by the value of their useful services (after the cost of repairs has been deducted).

Wicksell was contemplating the subject within the traditional neoclassical apparatus. Nevertheless, the supposition that sectors exhibiting a high degree of capital durability should be treated separately from the others is evocative.[6,7] Marx and Wicksell appear to be both concerned with the exclusion of a peculiar sector, characterized by either a high organic composition or high durability, from the determination of the general rate of profit.[8] This, in our opinion, helps us to see that, despite the different theoretical backgrounds, another great economist was reasoning on a similar issue.

Finally, we want to stress the fact that our interpretation would come at no harm to the possible use of the 'sixth' countertendency in light of the analysis of actual

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[6] It is important to recall that it is not generally possible to either 'unite all existing capitals in one sum' (Wicksell) or to determine the amount of 'constant capital' (Marx) before determining income distribution. The impossibility to establish the 'quantity of capital' used up in production regardless of the magnitude of the interest rate is a problem that has been thoroughly studied decades after the works of both Marx and Wicksell (Garegnani 1990b). For a discussion of the concept of capital, see Dvoskin and Fratini (2016, 1033-1037). We will retain such terminology only for the sake of strictly referring to the intuition of the two authors, which is the subject under discussion.

[7] Uhr (1962, 78-80), however, points out that Wicksell abandoned that kind of classification some years later.

[8] Wicksell was also bringing into his analysis, with opportune refinements, the concept of 'roundaboutness' of production from Böhm-Bawerk. For a comparison between this latter concept and Marx's organic composition, see von Weizsäcker (1977).

economic phenomena. In fact, even when the relationship with financialization is severed, there is the possibility to envisage an application of this ongoing discussion to some empirical facts. The research studying the plausibility of the Classical theory of gravitation of profit rates around a uniform value owing to capital mobility delivers noticeable confirmations first of all in terms of theoretical soundness (Garegnani 1990a; Fratini and Naccarato 2016; Bellino and Serrano 2018). Besides, there is evidence in favor of confirming the tendency to uniformity of the rates of return, which is robust to the employment of different statistical techniques (Scharfenaker and Semieniuk 2017; Tescari and Vaona 2014; Vaona 2012). In this line of research, Shaikh (2008, 174-182) supplies additional evidence in support of the existence of a gravitation process in US industries between 1988 and 2005. However, he explicitly pinpoints, there is a differentiation among the thirty industries considered. Among them, twelve tend to lastingly remain outside the process of gravitation (seven keep on yielding a higher-than-average rate of return, while five a lower-than-average; similarly, Shaikh 2016, 301-305). In addition to this, Duménil and Lévy (2002), in an analogous investigation (for the non-financial US sector, 1948-2000), find an even more interesting result. Indeed, the two authors show that gravitation is actually at work, and profit rates converge. This process is visible in what they label the 'non-financial capitalist core business', which is composed of the manufacturing, trade, and services sub-sectors, accounting for 81.5% of the net product of the whole branch of the economy considered (total economy minus government and real estate). Yet, the ‘highly capital intensive’ sub-sector[9] (taking the remaining 18.5%), composed of mining, transport, and public utilities, does not follow the same pattern: the profit rates yielded within it do not

[9] Such a name comes from the fact that those industries "use very large amounts of capital compared to their output".

gravitate and remain persistently and remarkably lower than the average. The authors conclude by pointing out two things in this respect: such a sub-sector has a particularly lengthy service-life of capital[10] and its industries are often regulated (ibid., 432-433). Thus, they can remain outside the scope for gravitation because of these elements. This type of evidence is a possible concrete fact that may confirm the insights Marx was offering in the passage discussing the 'sixth' countertendency.

4. Conclusion

In this paper, we tried to set forth an interpretation of the 'sixth' countertendency, the element some authors rationalized as a reference of Marx to the effect of financial elements in relation to the LTRPF. This has a bearing also in the discussion of financialization today. In our view, Marx was not hinting at the role played by finance. We argued that in the brief explanation Marx gave, his reasoning was based on three elements. First, progressive accumulation led to the expansion in some sectors of joint-stock companies whose long-term financing instruments yield a remuneration close to the rate of interest. Second, the average ruling rate of profit falls to a lesser extent because, in its calculation, that kind of remuneration is not included. Third, the remuneration is so low in those sectors because they display the highest organic composition of capital. Therefore, the 'increase of stock capital' element should be read differently, as referring to the process of convergence of the rate of profit towards a uniform value. We contend that the interpretation offered may be an alternative to those

[10] It is in our opinion striking the specification that Duménil and Lévy make by singling out that the capital employed in 'railways' has an exceptionally lengthy service-life. In both the reflections of Marx and Wicksell, we have found the reference to that sector.

suggesting a link between the ‘sixth’ countertendency to the LTRPF and financialization.

Disclosure statement. The author has no financial interest or benefit to disclose.

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