

## PICKING UP THE THREAD

*"The real barrier of capitalist production is **capital itself**. It is that capital and its self-expansion appear as the starting and the closing point, the motive and the purpose of production; that production is only production for **capital** and not vice versa, the means of production are not mere means for a constant expansion of the living process of the **society** of producers. The limits within which the preservation and self-expansion of the value of capital resting on the expropriation and pauperisation of the great mass of producers can alone move – these limits come continually into conflict with the methods of production employed by capital for its purposes, which drive towards unlimited extension of production, towards production as an end in itself, towards unconditional development of the social productivity of labour. **The means – unconditional development of the productive forces of society – comes continually into conflict with the limited purpose, the self-expansion of the existing capital.** The capitalist mode of production is, for this reason, a historical means of developing the material forces of production and creating an appropriate world-market and is, at the same time, a continual conflict between this its historical task and its own corresponding relations of social production."* (Capital, Volume III, Part 3, Chapter XV, K. Marx).

The capitalist world continues to move amidst the turbulences produced by its own system: the drastic falls and bursts of speculative capital which have accumulated a veritable crash so far this year, the abrupt swings in the prices of raw materials and the spasmodic collapses in the supply chain. In this crisis, one and all are trying to unload their losses on their competitors, unconsciously preparing - with the actions they are pushed to carry out - the great destruction of productive forces that capitalism demands in order to resume a new cycle of accumulation for accumulation's sake.

In the brief notes that follow we will not reiterate the full content of the analyses published in previous issues of this review, but we refer the reader to them and, in particular, to those published in the reviews no.4, no.7 and no.9, on the development of the crisis of relative overproduction of capitals that capitalism has been going through since 2008.

Capitalism has lived after the 2<sup>nd</sup> world slaughter a process of culmination of the bourgeois revolutions in the Asian and African areas which opened the door to a subsequent vertiginous development of capitalism mainly in the Asian area.

The law of the tendency of the rate of profit to fall combined with the different moments in which capitalism erupts in the different geo-historical fields translates into the law by which the younger capitalisms accumulate at a faster rate than the older capitalisms, which accumulate at a slower rate.

The capitalist development of the Asian area with an industrial base has meant an enormous oxygen balloon for world capitalism, contributing with enormous masses of extorted surplus value from the proletarianized masses (and that were proletarianized in this process), providing a rejuvenation of the rate of profit of western capitalism that made its investments there.

The great mass of exploited proletarians in the Asian area has been translated into a great mass of surplus value which, in turn, has been translated into a great accumulation of productive capital which, in turn, has been translated into a great mass of commercial and financial capital. This has meant a **gradual shift of the center of gravity of capitalism towards**

**Asia**, dialectically stimulated by the need of the older capitalisms (Anglo-Saxon and European) to keep their rate of profit afloat.

On the other hand, the division of the world carried out at Yalta and Potsdam no longer corresponds to the reality of the different imperialist powers in conflict: Germany forced its reunification, the formation of the EU and the absorption of Eastern Europe; Russian imperialism was resurrected from its collapse thanks to the high prices of oil and gas; the productive power of Japan was kept confined within its borders but Chinese capitalism has taken over the main positions in industrial and financial capital and is expanding throughout the world; other powers such as Turkey, India, Brazil and South Africa play a leading role in the capitalist world.

This is the context in which the 2008 crisis of capital overproduction erupted, from which world capitalism is unable to emerge, relapsing at every step. This decade and a half has been characterized by a massive injection of capital by American, European and Japanese capitalism, by a sustained fall in interest rates and by deflation exported to the world by the **production volcano** whose center has shifted to Asia. This type of monetary measures will never solve the capital overproduction crisis and, if they delay the outbreak of the crisis, they only increase its magnitude: "*The entire artificial system of forced expansion of the reproduction process cannot, of course, be remedied by having some bank, like the Bank of England, give to all the swindlers the deficient capital by means of its paper and having it buy up all the depreciated commodities at their old nominal values.*" (Capital, Volume III, Part 5, Chapter XXX, K. Marx).

According to monetarist illusions (shared by the bourgeoisie and by a series of alleged Marxist), the massive injection of capital should have found a place in capitalist production, increasing demand, reversing the deflationary process due to the effect of inflation. And it is true that a monetary injection tends to produce inflation if the volume of commodity value it sets in motion remains stable and if this injection is effectively integrated into circulation. But it was not the case, and has not been the case for more than a decade, since it could not find a place in capitalist production because it could not crowd out the already active capitals: "*In reality, it would appear that a portion of the capital would lie completely or partially idle (because it would have to crowd out some of the active capital before it could expand its own value), and the other portion would produce values at a lower rate of profit, owing to the pressure of unemployed or but partly employed capital.*" (Capital, Volume III, Part 3, Chapter XV, K. Marx).

This massive injection of capital and interest rates reduced to their minimum expression or even negative have been completely powerless for more than a decade to resist the deflationary process imposed by the overproduction of productive capacity, of commodities and of capital. Finding no place in capitalist production because it was unable to crowd out the already functioning capitals, this enormous mass of capital has been condemned to the roads of speculation: "*The mass of small dispersed capitals is thereby driven along the adventurous road of speculation, credit frauds, stock swindles, and crises.*" (Capital, Volume III, Part 3, Chapter XV, K. Marx). This has produced an enormous swelling of the global speculative capital (stock market, fixed income, government debt, cryptocurrencies, etc.) and of the debt of companies and states, generating an enormous powder keg irrigated without interruption with more

gasoline and which had to collapse, as explained in Marx's Capital: "*an enormous quantity of these bills of exchange represents plain swindle, which now reaches the light of day and collapses; furthermore, unsuccessful speculation with the capital of other people; finally, commodity-capital which has depreciated or is completely unsaleable, or returns that can never more be realised again.*" (Capital, Volume III, Part 5, Chapter XXX, K. Marx).

The crisis of relative overproduction of capital requires the destruction of productive capacity, commodities and excess capital. This destruction can take more acute forms leading to material destruction or more superficial forms: "*the loss is distributed in very different proportions and forms, depending on special advantages or previously captured positions, so that one capital is left unused, another is DESTROYED, and a third suffers but a relative loss, or is just temporarily depreciated, etc.*

**But the equilibrium would be restored under all circumstances through the withdrawal or even the DESTRUCTION of more or less capital. This would extend partly to the material substance of capital (...). The ensuing stagnation of production would have prepared – within capitalistic limits – a subsequent expansion of production.**

**And thus the cycle would run its course anew. (...)**  
For the rest, **the same vicious circle would be described once more** under expanded conditions of production, with an expanded market and increased productive forces." (Capital, Volume III, Part 3, Chapter XV, K. Marx).

The mere paralysis of part of the productive capacity and the collapse of the soap bubbles of speculative capital will only produce a momentary and transitory relief for the capitalist system. It will sacrifice a part of all the accumulated profit in the form of fictitious capital and temporarily impose the losses to certain fractions of the bourgeoisie, even determining the ruin and bankruptcy of a part of it. But it is only the material destruction of the productive overcapacity that can allow a new cycle of capitalist accumulation to rerun: "**War is the capitalist solution of the crisis; the mass destruction of installations, means of production and products allows production to recover, and the mass destruction of human beings remedies the periodic "over-population" which goes hand in hand with over-production.**" (Auschwitz or the great alibi, Programme communiste, 1960).

It is for this reason that wars are unavoidable in capitalism and that capitalism will be driven to the third world war. This is the only way to carry out the destruction of productive forces imposed by the capitalist mode of production in order to preserve its limited end, the revaluation of capital, its rate of profit. The **rupture of the partition of the world** after the Second World War and the need for a new partition, are the variables that complete the gruesome equation whose outcome is: **THIRD WORLD WAR.**

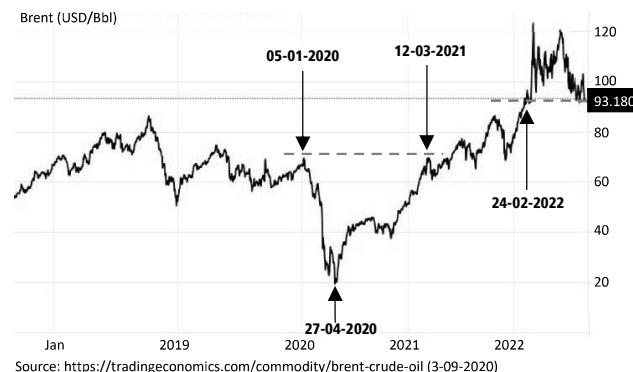
We will see that even the bourgeoisie is forced to admit this in the statements of the representatives of the imperialist powers in conflict. Yet even this does not help certain so-called Marxists (actually genuine and true believers in capitalism) to understand and accept this necessary development and consequence of the capitalist mode of production. A mode of production which we must slash before, during or after the outbreak of the war.

The paralysis of large sectors of world production took the

form of lockdowns, port blockades and factory shutdowns in 2020. In this process, the US tried (unsuccessfully) to lock China in by calling for the closure of its borders with the excuse of contagion, as it had succeeded in doing with Japan by imposing quotas in the 1990s. This partial paralysis of world capitalist production and circulation, as well as the subsequent **epileptic resumption of production and circulation** (in mid-2020 and early 2021) have dialectically produced alternating shortages and overcrowding in the various nodes of mercantile circulation through the multiple convulsions of the process. We have seen simultaneously a productive overcapacity condemned to idleness for lack of raw materials and an overproduction of goods that could not be shipped. And, in case anyone objects to the relative nature of this productive overcapacity and overproduction, it must never be forgotten that: "*If it is said that over-production is only relative, this is quite correct; but the entire capitalist mode of production is only a relative one, whose barriers are not absolute. They are absolute only for this mode, i.e., on its basis.*" (Capital, Volume III, Part 3, Chapter XV, K. Marx).

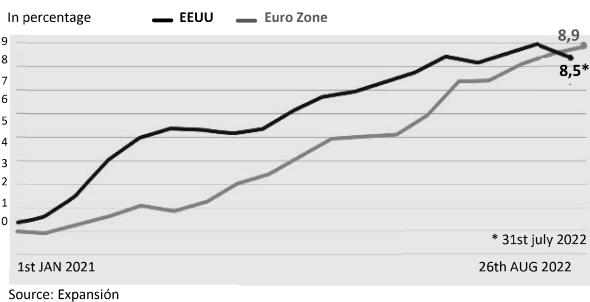
The epileptic resumption of capitalist circulation has produced a temporary shortage of raw materials and intermediate products (constant capital of the successive capitalist industries in the chain of production). This has drastically increased their prices. It has also produced an over-ordering which has further tightened the imbalance between supply and demand making their prices and capital investment increase even more. All this prepares the future overproduction of all these raw materials and intermediate products. The list of the affected items includes a whole range of metals, semiconductors, oil and gas. We will discuss the further evolution of the supply chains later on and will deal with grains in particular. We are interested in stating here that it is this phenomenon, which occurred within the context of the **process of reproduction and rotation of productive capital** (which encompasses its production and circulation), that has motivated the rise in prices, **inflation**. It cannot go without mentioning the drastic increase in the price of container shipping by sea from Asia to the world (see "The Internationalist Proletarian" n°9, p. 10, for more detail), which has come about as a combination of the epileptic resumption of circulation and the shift of the center of gravity of capitalist production to Asia.

Let's look at the evolution of the oil price. At the end of April 2020, the price of oil began to rise reaching in March 2021 the \$70 level it had reached at the beginning of January 2020. It continued to rise from there and the Brent barrel was located at \$92 at the time of the Russian army's entry into Ukraine, a level at which it has later returned to after having reached a peak of \$130 a barrel.



The explanation for this increase in the price of oil is published in "The Internationalist Proletarian" no.9 (p. 13) in the tables showing that **OPEC has kept oil supply below global demand and substantially below its production capacity**. The increase in the price of oil is one of the main drivers of the current inflation which, as can be seen, is not directly related either to monetary policy or even to the war in Ukraine (although the redirection of sales flows and speculation have provided the stimulus to reach a one-off peak): **if OPEC were to increase production in line with its real productive capacity, the price of oil would plummet like a lead.**

If we now look at the evolution of inflation in the US and in the EU in the following chart, we will see that inflation starts to rise rapidly in March 2021. Inflation continues to rise and accelerates the pace at the time when the price of oil exceeds the January 2020 level. Inflation in the US was at 7.5% and rising at the time of the entry of Russian troops into Ukraine (24-02-2022) and started to slow down some months after, despite the continuation of the war in Ukraine.



### Some erroneous explanations

In the spirit of deepening the precision of the causes of the current inflation, we will take the last published issues of the current "il Programma Comunista" (no.3/2022) and of "il Comunista" (no.173), of the same group that publishes "Le Prolétaire", to compare the explanations published there.

As for "il Programma Comunista" (no.3/2022), their analysis is limited to saying that inflation is the "first-born daughter" of monetary policy, thus sharing the monetarist illusions of the bourgeoisie. They would have to explain why inflation did not soar in the years 2008-2014 (Fed asset purchase program) or successive to 2014 (ECB asset purchase program) or even in 2019-2020 (moment of maximum intensity of asset purchases and rate cuts) or in Japan since 2000, but it has shot up in the first quarter of 2021, in full epileptic resumption of production and with oil production kept below demand. In any case, the "firstborn daughter" of monetary policy is the swelling of speculative capital, the swelling of general debt and the subsequent burst of these bubbles that we are witnessing.

Nor does "il Comunista" / "Le Prolétaire" (nº 173) provide a sufficient or correct explanation. It states that the growth estimated for 2021 by the WTO (10.8%) "paints the picture of a strong economic resumption" and has as its "main cause" the "massive injection of capital and monetary creation" that has "succeeded in relaunching the economy". Let's leave aside for the moment that taking the world trade index (and moreover of a single year) as a basis for claiming a "strong economic recovery" is a bit limited. But the WTO itself has calculated a 5.3% drop in global trade in 2020, so we can do the following

math: 100 (starting point 2019);  $100 - 5.3\% \times 100 = 94.7$  (end point 2020);  $94.7 + 10.8\% \times 94.7 = 104.92$  (end point 2021). If the 10.8% for 2020 (maximum trade depression) is confirmed, the increase in world trade compared to 2019 would be less than half, i.e. 4.92%. This calls into question the alleged "picture of strong economic resumption". It should be added that it is stated that "the main cause" has been the monetary policy of the Fed and the ECB, but the data are based on the increase in world trade, where the main increase in exports and imports is brought by Asia. It is also likely that it has already reached their ears that a few months after this assessment the capitalist world in general is talking about "recession". The graphs on the industrial production of various countries published on that same page also contradict the statement made.

In the same article, "il Comunista"/"Le Prolétaire" states that having continued with the purchase programs when "*the first signs of inflation had appeared*" led to the fact that "*the inevitable result has been the fall in the value of money and therefore the consequent inflation*". With this argument, inflation is explained by the continuation of monetary policy when inflation had already appeared. Thus, it remains unexplained why inflation appears, i.e., its true cause.

That expansionary monetary policy for a decade did not trigger inflation is a material fact. Therefore, the mechanical and simplistic explanation on the basis of monetary policy is weak from all sides. On the contrary, one must understand why the same programs up to this point did not trigger inflation (and why inflation has continued to rise despite the curbing of the programs), what are the conditions under which a massive issuance of money can produce inflation (which is true), and under what other conditions the massive injection of money fails to even reverse deflation.

Elsewhere in that same issue of "il Comunista"/ "Le Prolétaire" (no.173) we find a real **journalist's sentence**: "*In Europe, since 2011, the cost of money had not increased*". With this the bottom line is completely overlooked which is that since 2011 what has happened is a continuous fall in the interest rate, which has been at zero and negative from 2014 to 2022. This is completely different from saying that "*the cost of money had not increased*" ...

Marx derided the mania for borrowing terms from the bourgeois press instead of using the precise concepts of scientific socialism: "*the existing class struggle is replaced by a journalist's phrase: «the social problem», for the solution of which «the way is prepared»*" (Critique of the Gotha Program, 1875). The aforementioned is not the only "journalist's phrase" found in this issue of "il Comunista"/ "Le Prolétaire" since labels such as "world health crisis" (which means nothing and takes the consequences for the causes) and "energy crisis" (we will return later to what is meant by this) or "gas crisis" (sic) are used at will; labels that only serve to blur the Marxist concept of crisis and the material reality of the crisis in capitalism.

In that second article another scheme to explain inflation is attempted. First the "energy crisis" is explained by the war in Ukraine and then inflation is explained by the "energy crisis" and the war in Ukraine. As can be seen from the published statistics, the increase in energy prices in general (and in Europe in particular) occurred before the war in Ukraine, even if it has continued to increase afterwards. As we have also shown, inflation soar in turn started before the war in Ukraine and is motivated by the epileptic resumption of circulation. Then follows in that same article a real confusion between the increase in global prices and the increase in energy costs (the latter are

presented as if they were the former) to conclude unexpectedly: "So it wasn't all to blame for the energy costs" ... Besides being contradictory to the data on the increase of energy costs provided in the previous sentence (opportunely confused with the increase of costs in general), we see that "il Comunista" / "Le Prolétaire" shares with "il Programma Comunista" the monetary illusion as the main explanation of the current inflation. Moreover, it places it as a result of the "energy crisis" that they derive from the war in Ukraine. It is relevant to note that by "energy crisis" the review "il Comunista" / "Le Prolétaire" seems to conceive only the shortage of gas and the increase of prices in Europe, since they place it after the beginning of the war in Ukraine, but, as we have already seen, the price of gas and oil increased worldwide much earlier and remain high for different reasons.

In their explanation there is a reversal of the real processes. On the other hand, in the material reality, it is the economic situation of overproduction of productive forces, commodities and capitals that had gestated and was manifesting itself (together with the displacement of the center of gravity of capitalism and the rupture of the world distribution) that has determined the outbreak of the war in Ukraine; the same situation that has produced the collapse of the supply chain torpedoing the rotation and global reproduction of capital; the same that has imposed the paralysis of part of the productive capacity and the ongoing incineration of part of the accumulated fictitious capital.

The consequences of the same cause interact and interrelate and can act as amplifiers or mitigators of the effects in question. In fact, they often act dialectically in both directions. For example, the blockade on Russian oil has initially generated an additional increase in the price of oil, but, at the same time, it has forced the sale of a huge quantity of oil and gas at discounts of between \$20 and \$35 per barrel: the same phenomenon contained the elements that were to bring the price down to its starting point a few months later. However, it is a real confusion to place what is one of the consequences of a given cause as the main cause of the other derived ones, supplanting the original ultimate cause.

We also find in "il Comunista" / "Le Prolétaire" the curious affirmation that "gas and oil are indispensable for capitalist production, a profit-generating production that cannot function with renewable energy sources". This is nothing more than a reverberation of petty-bourgeois ecologist mysticism that is asserted, moreover, without even attempting to justify it. On the contrary, we affirm a capitalism just as bloodthirsty and exploitative as the present one is perfectly possible on the basis of so-called renewable energies (refer to the article "Energy sources and capitalism", pages 13 and 14, of this issue).

Finally, we find the following statement: "Yesterday, the oil crisis of 1973 anticipated the world crisis of 1975; today, the gas crisis (sic), if it does not anticipate for some year a world crisis of the dimensions of that of 1975, it has created the genesis of its factors".

**AS IF CAPITALISM WERE NOT IN FULL CRISIS SINCE 2008!** And, more specifically, as if all stock markets, government bonds and corporate debt (the fixed income market has been falling even since January 2021) had not been crashing since December 2021, while the reproduction and rotation of capital is carried out through convulsions and spasms. We cannot fail to remember that the real crisis of the capitalist system is a **DEFLATIONARY CRISIS** and that of 1975 was an inflationary crisis.

The foregoing may serve to provide elements on the inadequacy of the merely monetary explanations of inflation soar, or that locate its origin in the military conflict in Ukraine or in the shortage of gas in Europe.

Before we continue with the analysis of developments in the other articles, we would like to recall a couple of additional considerations of the issue at hand:

"What interests us here above all are the medium to long-term consequences: (...) with all this investment today preparing the gigantic overproduction of tomorrow. (The Internationalist Proletarian" no.7, p. 10).

"(...) productive (super)capacity remains intact and, at the same time, "an increase of demand produces an increase of supply, instead of an ultimate rise of market prices" (Wage, Price and Profit, K. Marx, 1865), i.e., a greater productive overcapacity. (...) without the generation of more electric shocks, spasms and collapses, the general trend would be to return to the path of overproduction and deflation. This does not rule out that in the capitalist world in general and in Western capitalism in particular, episodes of inflation may develop – and even more accentuated –. (...) What it means is that capitalism can only try to get out of the swamp into which overproduction is sinking it through a growing series of crises, conflicts and spasms." (The Internationalist Proletarian" no.9, p. 16).

In the following articles, we will look at the consequences of the above developments in the financial sphere, the unloading of which Western imperialism has tried to concentrate on Russian imperialism. While analysing the extent to which Russia has or has not been successfully isolated, we will observe the evolution of supply chains and their impact on the rotation and reproduction of capital, the exacerbation of the trade war, the redirection of commodity and raw material flows, as well as the political-military impact within the main imperialist powers and in the clashes between them.



READ, SUPPORT AND SPREAD THE COMMUNIST PRESS

"EL COMUNISTA"  
"THE INTERNATIONALIST PROLETARIAN"  
"PER IL COMUNISMO"

\*\*\*\*\*

FOR CORRESPONDENCE (without further data):  
P.O. Box 52076 - 28080 MADRID - SPAIN  
[www.pcielcomunista.org](http://www.pcielcomunista.org) - [pci@pcielcomunista.org](mailto:pci@pcielcomunista.org)  
[twitter.com/pcielcomunista](http://twitter.com/pcielcomunista)