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Value, periphery and crisis: Argentina 1910-2011

Esteban Ezequiel Maito

Introduction

In this paper we present a long-term study on the process of accumulation in Argentina over the past century. Explanations of the Argentine historical development are hegemonized by both the neoclassical, politically identified with the conservatives, and the Keynesian school, the latter related with Peronism and other particular ideologies. However, we will develop an alternative explanation deeply focused in Marxist political economy, empirical research and the country economic and political history over the past century.

In the first section we will introduce some theoretical aspects aiming to a deeper acknowledge of some particularities in peripheral countries and their relation to Marxist political economy.

In the second section, we establish a concrete analysis of the accumulation process in historical perspective.

In the third section, we present the long run results of our estimates for Argentina in the period 1910-2011.

I) On value, competition and the world economy

As the logic of value reduces all concrete and private labors to abstract and social labor, the position of particular producers related to average conditions of production (which determine value) results in different quantities of value produced per unit of time as case I in Table N°1 shows in a simple way (and with the only, and unreal, exception of a complete homogeneity in concrete and particular conditions of production -case II in Table N°1-).

It has prevailed a naturalistic perspective as if any concrete labor may represent the same amount of value independently of its relative productivity. Nonetheless, there are numerous references from Marx rejecting such simplification despite -with the exception of intra-sectoral competition passages- he tended to develop his analysis considering social value already established (TOTAL files in our tables) and leave aside these considerations on heterogeneous conditions of production in the same branch.¹

The space required for this chapter is not enough for a further development of these aspects but we want to make clear that value is always a relative and social magnitude and it's just in the aggregate level (TOTAL files in our tables) where value and hours coincide, just as the case of value and prices developed in Volume III.

¹ “The labour time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time. The introduction of power-looms into England probably reduced by one-half the labour required to weave a given quantity of yarn into cloth. The hand-loom weavers, as a matter of fact, continued to require the same time as before; but for all that, the product of one hour of their labour represented after the change only half an hour's social labour, and consequently fell to one-half its former value.” <https://www.marxists.org/archive/marx/works/1867-c1/ch01.htm>
“In the process we are now considering it is of extreme importance, that no more time be consumed in the work of transforming the cotton into yarn than is necessary under the given social conditions. If under normal, *i.e.*, average social conditions of production, *a* pounds of cotton ought to be made into *b* pounds of yarn by one hour's labour, then a day's labour does not count as 12 hours' labour unless 12 *a* pounds of cotton have been made into 12 *b* pounds of yarn; for in the creation of value, the time that is socially necessary alone counts.” <https://www.marxists.org/archive/marx/works/1867-c1/ch07.htm>
In short, at the level of abstraction of particular producers, or capital as multiplicity, working times result in different values (or MELTS, monetary expressions of labor time).

Table N°1 - Hours worked (H), volume (Y), unit values (H/Y), value (V), share in hours worked (%H), percentage of the social unit value (%H/Y), share in total value (%V), productivity (Y/H), value per hour worked (V/H).

CASE I	H	Y	H/Y	V	%H	%H/Y	%V	Y/H	V/H
I	200	600	0,33	300	25%	67%	38%	3,00	1,50
II	200	400	0,50	200	25%	100%	25%	2,00	1,00
III	200	350	0,57	175	25%	114%	22%	1,75	0,88
IV	200	250	0,80	125	25%	160%	16%	1,25	0,63
TOTAL	800	1.600	0,50	800	100%	100%	100%	2,00	1,00
CASE II	H	Y	H/Y	V	%H	%H/Y	%V	Y/H	V/H
I	200	400	0,50	200	25%	100%	25%	2,00	1,00
II	200	400	0,50	200	25%	100%	25%	2,00	1,00
III	200	400	0,50	200	25%	100%	25%	2,00	1,00
IV	200	400	0,50	200	25%	100%	25%	2,00	1,00
TOTAL	800	1.600	0,50	800	100%	100%	100%	2,00	1,00
CASE III	H	Y	H/Y	V	%H	%H/Y	%V	Y/H	V/H
I	200	1.200	0,17	436	25%	46%	55%	6,00	2,18
II	200	400	0,50	145	25%	138%	18%	2,00	0,73
III	200	350	0,57	127	25%	157%	16%	1,75	0,64
IV	200	250	0,80	91	25%	220%	11%	1,25	0,45
TOTAL	800	2.200	0,36	800	100%	100%	100%	2,75	1,00
CASE IV	H	Y	H/Y	V	%H	%H/Y	%V	Y/H	V/H
I	200	600	0,33	225	33%	89%	38%	3,00	1,13
II	200	400	0,50	150	33%	133%	25%	2,00	0,75
III	100	350	0,29	131	17%	76%	22%	3,50	1,31
IV	100	250	0,40	94	17%	107%	16%	2,50	0,94
TOTAL	600	1.600	0,38	600	100%	100%	100%	2,67	1,00

As valorization depends on relative productivity, those capitals above the average will obtain a larger amount of value per hour of work (the base for extraordinary profits) and other will obtain less. If differences increase, the valorization of certain capitals will be affected in a decisive way, as shows case III in Table N°1. If we consider simplifying that, for instance, from the 200 hours worked in each particular capital or national space, 100 hours are for labor force reproduction, in case III the relative productivity of IV is such that it shows losses and cannot even pay the 100 hours of wages (as its production just represent a value of 91). As had been the case for Argentina in several crises since 1976, they may pay labor force

below its value, for example paying 70 and obtaining 21 as surplusvalue. However the relevant aspect is that is value conformation itself which establishes a pressure for the increase in productivity, the expansion of surplus value producing above the average conditions, and realization of surplus value as valorization of worked hours.²

The insufficient relative increase in productivity affects negatively the valorization of any particular producer (of course, we are leaving aside several aspects as constant capital, etc. but the concept is the same).³ In terms of a national economy in a global system this will be expressed in different monetary expressions of labour time (MELT) expressed in a common international currency or world money.

Compared to the initial case I, the fourth case is useful to explain the particular crisis of peripheral countries like Argentina in the 70s. As capitalism developed in new peripheral countries with substantial minor value of labor force and hourly productivity in III and IV is now higher than in case I (being there II and IV different producers or national spaces), both I and II (which we may consider a core country and a peripheral like Argentina) show now worst conditions for valorization. Particularly II, that in case I generated one unit of value per unit of time, now presents the worst position in this regard with no individual change in hours (employment) or productivity. Entire capitals or national spaces may present from year to year similar conditions of production (again, in terms of employment, productivity, etc.) and nonetheless their results as value production may be catastrophic, precisely due to the systemic and anarchic determination of value which remains an unpredictable and menacing mystery for any individual capitalist.

² Note that its value itself which establishes for instance a pressure to increase of exploitation (as extension of working times and physical effort of the worker) aiming to level a lower productivity due to minor mechanization which resulted in lower V/H . Such a pressure has been understood as independently of value and competition, as “unequal exchange” questioning this determinations from the logic of value when is precisely the latter the main determination of “unequal exchange”, contained in value itself as stated by different and heterogeneous conditions of production with different Y/H and thus V/H .

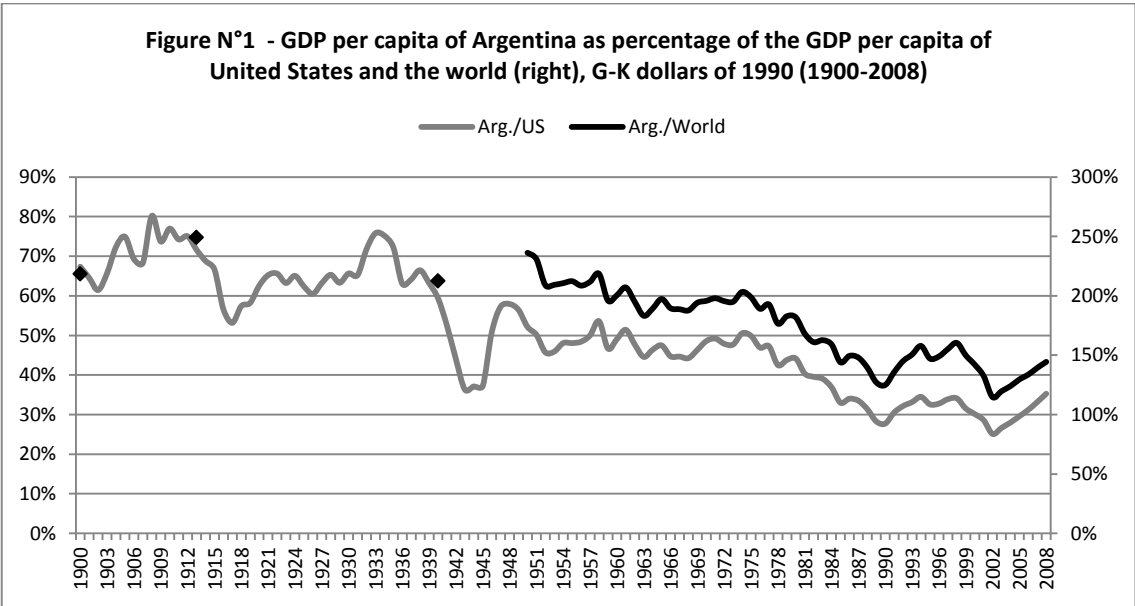
³ It's easily demonstrable that the individual rates of profit in any branch are derived from this value determinations and that the equalization of the inter-sectoral rates of profit not modifies the intra-sectoral structure of relative profitabilities. The inter-sectoral equalization of the rates of profit thus, when we consider particular and heterogeneous conditions of production, do not set individual uniform rates. However the determination of individual rate of profits has been mostly rejected or ignored on this value base.

Of course what we developed above is just stating the relevance of value in competition and the world economy rather to give an exact representation of them which falls out of the extension of this chapter.

Accumulation of capital in Argentina on systemic terms

Generally economic variables are analyzed on national basis. In this context the variables expressed in current terms reflect the current market situation, while the variables expressed in constant terms, a physical evolution.

However, considering that the capitalist system is a global regime in essence, it corresponds to make an assessment of capital in Argentina under the expression of some variables in systemic terms, in international currency or world money as more approximate expression of value in world terms. In this sense, the relative productivity of Argentina's economy has sustained process of falling in the long term.



In order to analyze the process of capital accumulation in Argentina in terms of an international currency to reflect the extent of accumulation and valorization process, we present the estimates in constant 2012 dollars, unit of measure that allows us to put aside the influence of US inflation in the case of using current dollars.

Analysis of the categories in constant or real terms is always useful to appreciate the behavior of certain variables in the long run, when the evolution in current terms is significantly influenced by inflation. This applies, for example, to the rate of accumulation. The measure of the annual nominal growth of fixed capital in periods of high inflation and crises may show extremely high levels with zero growth in real net investment or in the value of fixed capital both in world money or labor time. Such accumulation rate would be rather an indicator of market price increases influenced too by monetary policies and other factors. In the case of investment effort this distortion does not occur because it is a relation between two magnitudes of the same year.

Conventionally, studies of accumulation processes in national spaces use the monetary expression of labor time (MELT) aiming to measure the evolution of some variable in value terms. As during a year any economy performs some absolute magnitude of labor measurable in terms of hours, the net value added expresses in nominal terms that magnitude of labor. The MELT arises from the division between the nominal net value added and the worked hours. However the implications of such tool are rarely considered as we turn to an international or global level of abstraction. In this sense, even more when we want to analyze peripheral countries, different consequences arise depending on the consideration of the MELT on a purely national basis or, on the contrary, in global scale.

Table N°2 - Value of capital and production according to different MELT estimates

I	K\$	VA\$	L	MELT (VA\$/L)	K (K\$/MELT NATIONAL)	V (K\$/MELT NATIONAL)	K (K\$/MELT GLOBAL)	V (K\$/MELT GLOBAL)
US	2000	2000	100	20,0	100,0	100,0	133,3	133,3
ARG	1000	1000	100	10,0	100,0	100,0	66,7	66,7
GLOBAL	3000	3000	200	15,0	200,0	200,0	200,0	200,0
II	K\$	VA\$	L	MELT (VA\$/L)	K (K\$/MELT NATIONAL)	V (K\$/MELT NATIONAL)	K (K\$/MELT GLOBAL)	V (K\$/MELT GLOBAL)
US	2000	2000	100	20,0	100,0	100,0	160,0	160,0
ARG	750	500	100	5,0	150,0	100,0	60,0	40,0
GLOBAL	2750	2500	200	12,5	220,0	200,0	220,0	200,0
III	K\$	VA\$	L	MELT (VA\$/L)	K (K\$/MELT NATIONAL)	V (K\$/MELT NATIONAL)	K (K\$/MELT GLOBAL)	V (K\$/MELT GLOBAL)
US	2000	2000	100	20,0	100,0	100,0	114,3	114,3
ARG	1250	1500	100	15,0	83,3	100,0	71,4	85,7
GLOBAL	3250	3500	200	17,5	185,7	200,0	185,7	200,0

In the first hypothetical case we deal with two countries which MELTs, expressed in world money or a common currency like dollars, are normally different despite the annual worked hours are the same. The values of capital and production are thus equal if we consider a national based MELT (VA\$/L of the particular national space) or different if we consider the international or total MELT (as VA\$/L of the aggregate national spaces).⁴

The second case reflects those situations when the national currency of Argentina gets devaluated -including an increase in the relative price of investment as showed in Figure N°5 - after crisis and its production results in lesser dollars per hour worked. The national based MELT here seems to undervalue the extension of the crisis as just the level of employment determinates the variables in value terms. Thus, leaving aside any change in relative prices of investment, the value of capital and production would remain equal. On the other hand, on a global scale, or considering value determined at a systemic level, the crisis appears reflected in a massive devaluation and devalorization of capital and production.

In case III as Argentina shows a higher or at least a relative increase in the MELT than the other country or the aggregate, its value remains equal like in the first case when we consider a national base or higher if we consider an international MELT. This is the case in periods when Argentina had or tended to overvalued exchange rate, during upswing phases. But also the case in US for periods when the dollar gets devaluated against other currencies, like the 1970's or the 2000's, and the devalorization of the economy may be stronger than conventional studies for the US has stated on a simple national based MELT.⁵

In Figure N°3 we show three measures of the amount of fixed capital. In real terms, or as volume of use values, expressed in millions of pesos of 1993. In value terms, estimated on a national base, as millions of hours. In constant dollars of 2012, multiplying its volume by investment prices, then converted to current dollars and deflated by the US GDP price

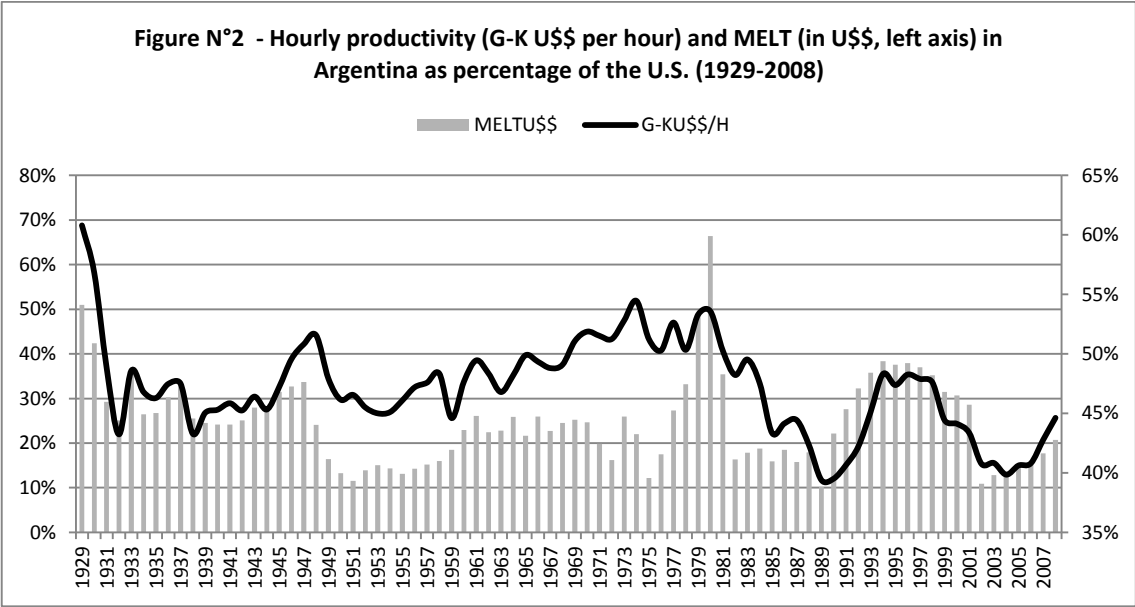
⁴ Note that the national based MELT is the same both considering net value added in national or international currency because it's based purely on the ratio of net value added and hours worked in the particular country. The international or total MELT thus is based on the total net value added and hours worked at a global or systemic scale. This is what stated different or alternative MELTS, despite it's a necessary condition to estimate the total MELT that all national net value added may be expressed in a common currency.

⁵ According to the Bank of International Settlements (BIS) the effective exchange rate of the US fell from 147,1 in 1970 to 102,2 in 1978 (base 100=2010, implying a fall in the index a devaluation of the currency).

index. Although all the measures tend to increase in the long term, it is remarkably the divergent evolution of the value and the constant dollars measures.

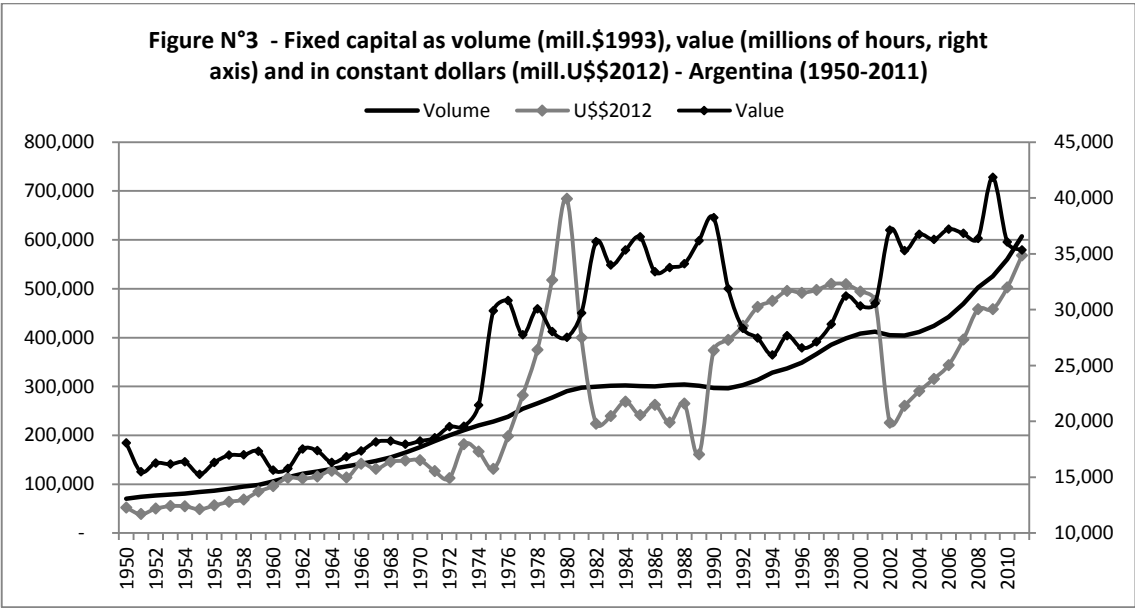
In the context of Capital, Marx asserted that the increase in the value of capital is determined by the growth in the mass of means of production (and in the technical composition) reaching such levels that their total value also increase, despite the reduction in the unit values of those means of production as a consequence of the productivity growth in their production.

But the expression of such trend in peripheral countries like Argentina has to be extended. The divergence in both measures stated above is related to the reduction in the MELT in international terms. One hour of concrete labor, when we deal with capital as a particularity like an individual capital or national space, not necessary became value at the same degree but according to the relative productivity.



That reduction of the MELT is an expression of the devaluation and devalorization of capital in systemic terms that triggers during crisis. As the real exchange rate rises due to the devaluation of money related to world money, this change is also reflected in the prices of imported means of production affecting negatively the relative prices of investment expressed in national currency. For that reason during crisis as the devaluation implies a fall in the

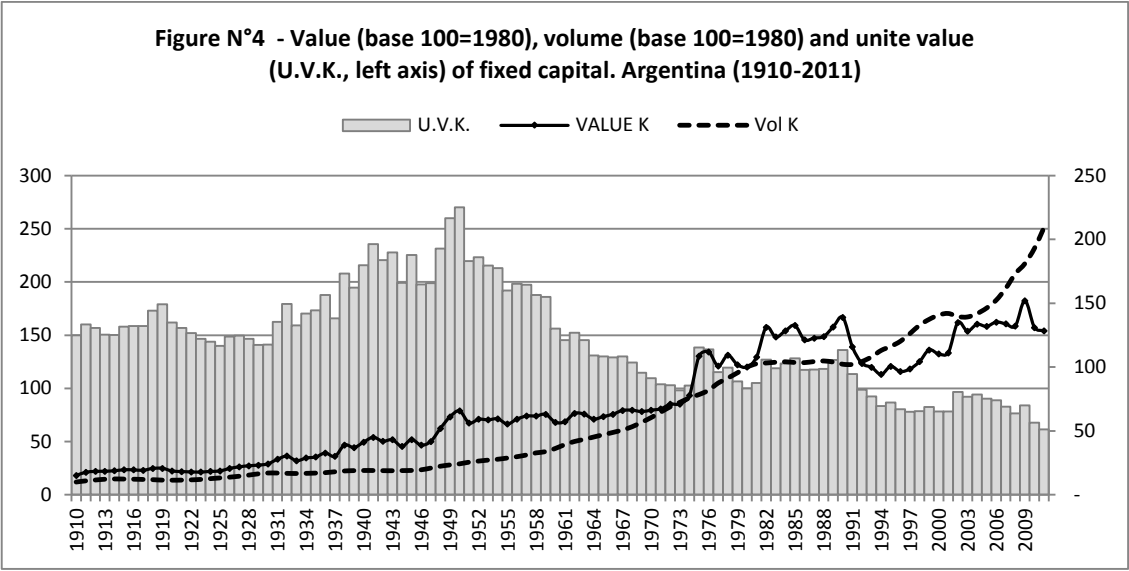
amount of capital valued in world money terms (in this case, constant dollars), it also implies a rise in the value of capital due to the larger increase in investment prices even when in real terms investment fell. The conclusion is thus that the national space requires a larger amount of labor to reproduce its fixed capital than before although its valuation in world money has dropped.



This pattern has been more pronounced since the crisis of 1975 and the cyclical crises that Argentina lived since then. Relative hourly productivity (figure N°2) peaked in 1973 since the pre Great Depression peak.

The value of capital estimated by the MELT on a national base is therefore always affected by systemic conditions. Stated this, we may consider the evolution of the value of capital accumulated. Both value and volume of fixed capital increased substantially along the whole period 1910-2011. While value, considering a base 100 year in 1980, increased from 15,1 to 128,4 (750,3%), the volume of fixed capital growth from 10,1 to 209,4 (1.973,2%). Hours worked on the same base increased from 36,9 to 151,3 (310,0%). The smoother growth in value related to volume is explained by the cheapening of constant capital derived from the reduction in its unit value (value of capital/volume of capital) from a base 100=1980 initial index of 149,8 in 1910 to 61,3 in 2011. However despite this reduction is a long run trend, in

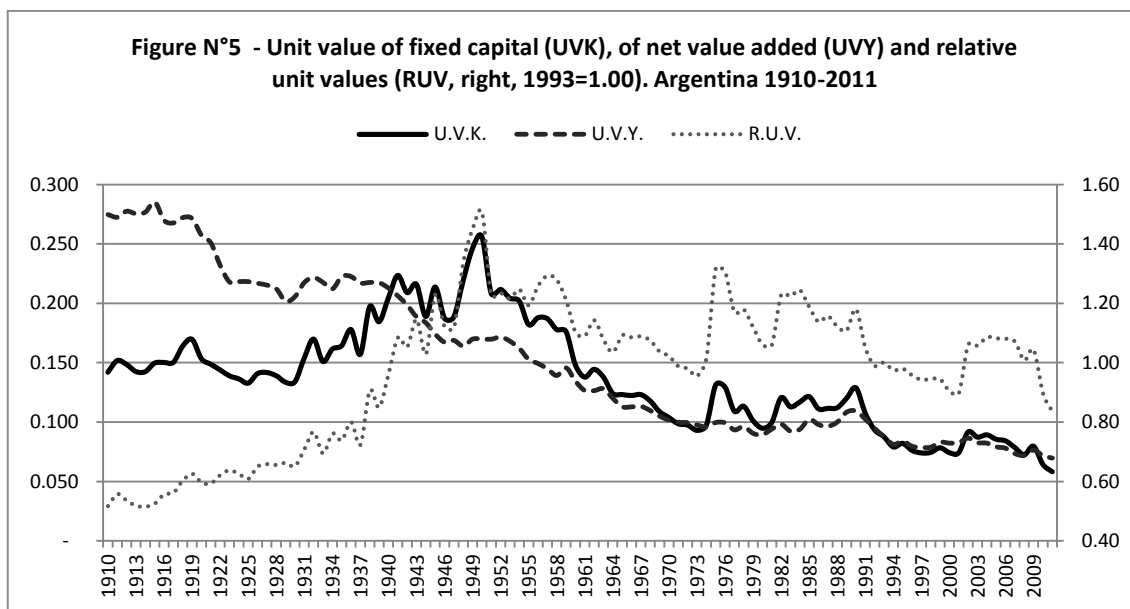
particular periods the unit value of fixed capital may raise, considering what we developed above, affecting profitability and accumulation.



This has been the case of the Great Depression and the collapse of world markets, which implied increasing exchange rates for Argentina and worsening international terms of trade for exports, affecting the relative price of investment (of which a large share was imported) and profitability (differential land rent, as extraordinary profits, dropped with the Crack). The increase in the value of capital during those years were thus more related with the growth in labor required to reproduce its fixed capital (even a rise in unit values as national capitals has to start producing, with less technology and productivity, means of production previously imported) than with the net increase in the mass of means of production. For those reasons the unit value of fixed capital peaked 270,1 in 1950 and the 61,3 level in 2011 implied a reduction of 77,3% for that sixty years period.

During the postwar decades (1950-1974) the reduction in the unit value of fixed capital was at some degree based in the maturation of productive national capitals which during the first years of Peronism could import on a massive scale means of production in a context of world trade recovery. But the most relevant factor has been foreign direct investment by capitals from United States and Europe in the context of the Industrialization by Substitution of

Imports (ISI) strategy of bourgeois politicians and capitalists in Argentina. FDI inflows would be massive since 1958.

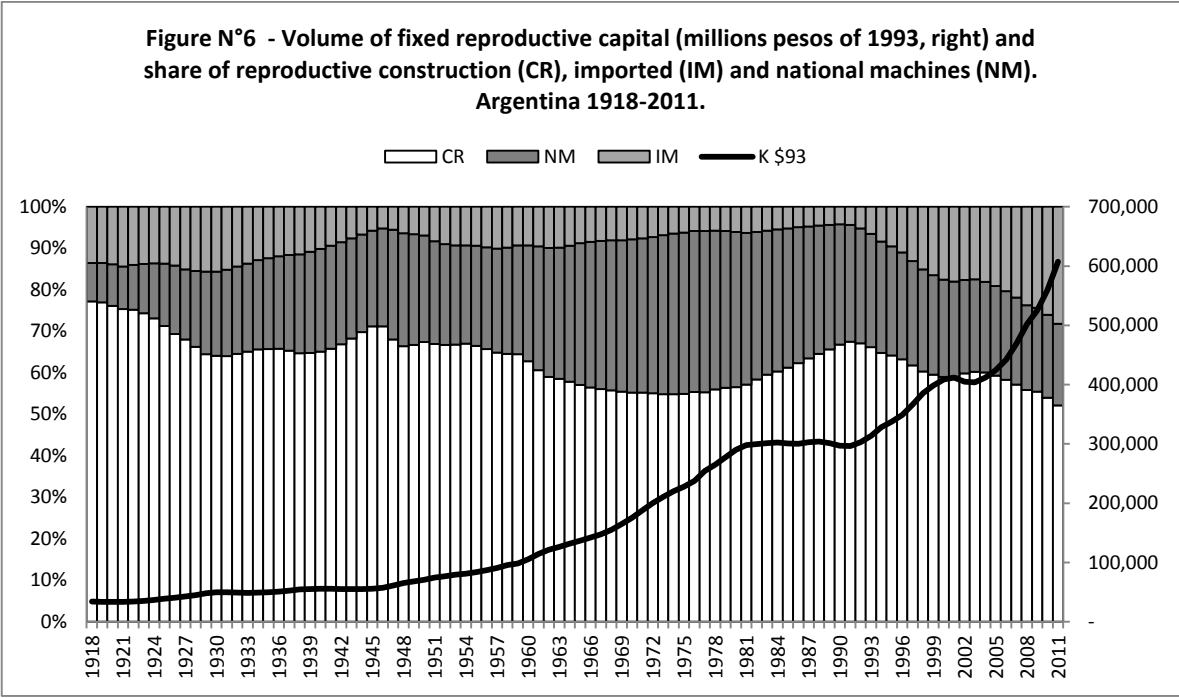


However, these capitals established in a particular context, typical of the postwar years in the periphery zones with marked previous capitalist development and relations, and trade in world markets (conditions which exclude SE Asian countries). Their investments were mainly obsolete means of production according to prevailing conditions in their former countries and the renewed level of productive forces. Peripheral states acted in the same direction, promoting this mode of action of transnational capital through a series of tax and tariff relative advantages, but in a context of higher tariffs related to the pre-Great Depression levels which indeed promoted the presence of those capitals in this particular productive shape rather than their simple commodity (foreign produced) shape .⁶

The expansion of fixed capital in peripheral countries like Argentina thus would be integrated into the specific cycle of fixed capital in the core countries where the renewal of machinery, now more complex and productive due to the technological leap gestated in the

⁶ In this regard, in addition to public policies for the promotion of foreign investment, the relative size of the domestic market in terms of purchasing power and wage labor rate, as well as some previous industrial development were key factors to attracting those transnational capitals. All this factors suppose as we stated a previous development of capitalist production and presence in world markets.

postwar, would not imply the discard of previous production lines, but their transfer to peripheral countries that represent attractive zones.



The ability to generate value (expressed in a higher international MELT) is closely related to the productivity of the economy. Productivity has to be permanently increasing at certain rate to produce the same value per unit of time. Otherwise, the general devaluation of the economy and the crisis would be imposed (as a reduction of the international MELT of the country). The massive influx of FDI allowed substantially increase of the productivity of the economy in that sense (as showed the large reduction in unit values of means of productions). However, the specific mode of action restricted to the scale of peripheral domestic markets gave the ISI process an insurmountable limitation.

These specificities and its loss of dynamism in terms of productivity gains would be expressed in a fall in the profits per employee in dollars and in net foreign direct investment during the first part of the seventies, with zero or negative levels in certain sectors such as automotive.

In these conditions it is not surprising that the relative contribution of imported machinery felt, since the international technological frontier promoted an increasing lack of

complementarity between the Argentine fixed capital (formed by obsolete discarded machinery from core countries) and the state of the art that those same capitals reach in their countries and the world market. The counterpart of this was the proliferation of local producers and suppliers based on technological adaptation to a general provision of fixed capital with a clear level of international obsolescence, resulting in a highly integrated industrial system with lower import requirements but with a productivity restricted by international standards which implied a scale fully restricted to the domestic market.

The increase in class struggle and wage share implied in this accumulation dynamic represented an additional pressure on the ability to expand earnings per employee in turn.

The final result has been the apparent contradiction between the "maturing" of import substitution and its failure to reflect in systemic terms that alleged maturity, in value terms or as share of world production and exports. Since the cyclical peak in 1964 (10.218 U\$\$ 2012 per employee) profits per employee were reduced permanently until 1975 (4.180 U\$\$ 2012), with the exception of 1973 when a sharp rise in commodities prices marked an increase in profits in dollars.

The ISI had an inherent limitation in the international context, which kept the country away from productivity levels of the core countries and a number of peripherals with more dynamic growth (and reduced capitalist production). This limitation was evident during the 70s, when the insufficient scale began to be affected by international competition and the global crisis.

During the second part of the 70s the volume of fixed capital kept growing and, as unit value of capital fell, the value of capital remains flat at the new level stated by the crisis of 1975. However a new crisis in 1982 stated a new level, once again triggered by the increase in unit value of fixed capital. During the "lost decade" of the 80s, when the rate of profit showed its historical trough, value of fixed capital were stable as both real investment and unit value were stagnated.

After the crisis in 1989-1990, while the volume of fixed capital started to expand, its value dropped due to a remarkable fall in the unit value. The latter has been based on the massive

growth in imported means of production as a concrete expression of the cheapening of constant capital. The reduction in trade tariffs and a low real exchange rate were, among others, some of the policy measures implemented by the capitalist state. The share of imports in the total investment in machine and equipment raise from 11,5% in 1990 to 42,8% in 1994 (total investment in machine and equipment growth from 6.320 millions of pesos of 1993 in 1990 to 20.702 in 1994). The share of imported machines, with the obvious interruption of the crisis of 2001-2002, has been rose until 2011, establishing one trend which reversed the previous development for all the century. Differently to the ISI decades, the absolute reduction in unit value of fixed capital since 1990 has been based on the offset of national producers by international competition which implied a substantial reduction of manufacturing branches in the share of production and employment.

However this not implies in gross terms a different mode of action by transnational capital which produces differential rent related commodities for world markets while keeps producing other manufactured goods (automotives, textiles, chemicals) for MERCOSUR and Latin America as an expanded domestic market with a larger scale and productivity than during the ISI but with the same lack of competitiveness for competing in world markets.

II) Economic cycles and crises in Argentina

The rate of profit regulates the rate of capital accumulation. During the expansive phase with high or increasing profitability capitalists expand their investment in means of production with the corresponding counterpart in labor force. With the accumulation of capital, it also expands the labor force from which extracts living labor for its own valorization. The absolute number of working days increases forming the basis -in particular their share exceeding necessary time- of a growing surplus value. And as long as this increase is, due to the development of the productive forces and mechanization by capital, relatively lower than that experienced by the constant capital, the downward trend in the rate of profit also develops.

The growth in the accumulation rate increases the demand for labor (although the historical tendency of capital is to a relative decrease of labor per unit of invested capital due to the

increase in the organic composition of capital), which in turn its reflected also in real wages during the upswing of the cycle. Living and social conditions thus show a relative improvement and consumption grows. The political staff in charge of government enjoys relative legitimacy and hegemony.

However, the capitalist system tends to develop the productive forces relatively independently of the value and surplus implicit in this development, even if, seeking to preserve and increase its own value, undermine its final purpose. The upswing, fueled by an earlier growth in profitability from past crisis, unfolds with a relative expansion of constant capital which, aiming to further reductions in the value of commodities and a higher market shares, gradually exceeds the chances of recovery arising from the surplus value produced.

If at the beginning of the upswing phase the increased rate of surplus value, due by the lower employment and real wages derived from the previous crisis, implied even some decline in capital composition from a peak in the crisis itself (given the relatively higher rate of employment expansion and wages in the upswing), at the peak of the expansionary phase capital composition has increased with increasing investment efforts of the capitalists in the context of competition. Although initially the expansion of the volume of fixed capital, mainly once profitability growth, is lower than the increase of the labor force, resulting a fall in capital composition and a rise in net investment, fixed capital and mechanization keep expanding but the employment growth rate becomes slowly lower. Capital composition now rises. And since surplus value (or profits as its monetary expression) arises from living labor employed, it becomes relatively insufficient to ensure normal valorization of an expanded amount of capital, moreover if we consider that in the peak of the cycle the surplus value rate is usually minor compared to the early years of the cycle with higher unemployment and lower real wages. The rate of profit starts a downward trend.

The lower demand for labour force, together with the worsening conditions of exploitation, supposes increasing attacks on labor and social conditions of the working class, affecting household consumption and credit. The political staff of the capitalist class that rules the government, whether or not being the same of the upswing period becomes questioned in a more or less general way, both by the capitalists which don't consider guaranteed the best

conditions for their business, as by workers affected by worsening working and living conditions.

When the crisis finally unfolds, capital is devalued in all its shapes. As money-capital the national currency loses value against the universal money, it loses ability to represent value in the extent to which it did previously. The increase in productivity achieved in the upswing phase due to the growth in net investment was also reflected in an increase of the relative value of the national currency.

Fixed constant capital is also devalued, affecting even the patrimony of the capitalists. If the aim of capitalist production is the continuous valorisation of value through the extraction of surplus value, the crisis reveals that such objective escapes the simple will of the capitalists taken in isolation. In the context of a particular country the capitalists, faced to worsening conditions of valorization, try to anticipate the crisis and the devaluation of their money and productive capital by exchanging them for world money, as an “absolute” representation of wealth.⁷

The variable capital also devaluates in the form of a loss of purchasing power of wages both in real terms and in terms of world money. The rate of profit falls and, as a consequence, also the rate of accumulation - i.e. the net investment -, affecting the creation of new jobs. The rise in unemployment in turn reduces the labour force or the total hours of living labour, which directly affects the mass of surplus value and reduces its magnitude, depending on the extent of the expansion of relative surplus value generated by the fall in real wages. The devaluation caused by the crisis will prepare the conditions for future expansion from the increasing rate of surplus value and the depuration of capital that eliminates those with lower relative productivity.

⁷ In the context of a particular country like Argentina, where the relative productivity growth is insufficient, in systemic terms an hour of work represents a lower value. This has been the general case for all peripheral countries with the notable exception of SE Asian countries in the last decades.

Accumulation and history

The period 1910-1950 showed a steady decline of the mass of profit per employee in world money, while in terms of the total economy due to the increased labor force the mass of profits in dollars of 2012 shows rather stagnation, leaving aside cyclical ups and down. However, each drop of the mass of profits, at least those related to major crises (World Wars, Crack 30), placed it back on the same level around to 20,000 million U\$\$ 2012.⁸

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K \$1993	TCC	VCC
1910	109,4%	8,7%	7,9%		2.240	6.554	6,3%	100	293%	30.044	2,19	7,3%	29,3	11,60	0,65
1911	93,8%	7,5%	8,0%	15,6%	2.282	6.557	0,9%	103	287%	29.785	2,23	1,8%	32,0	12,54	0,75
1912	93,1%	5,0%	5,3%	5,2%	2.648	6.010	10,3%	107	227%	31.099	2,16	8,2%	33,9	12,06	0,71
1913	92,9%	4,6%	5,0%	1,0%	2.620	6.084	0,2%	93	232%	31.341	2,17	1,0%	35,6	12,65	0,71
1914	83,2%	2,6%	3,2%	1,3%	2.604	6.127	-9,9%	115	235%	28.447	2,19	-10,4%	36,3	14,30	0,80
1915	85,6%	0,4%	0,5%	6,4%	2.344	6.140	3,9%	135	262%	31.131	2,08	0,5%	36,0	13,67	0,80
1916	82,8%	-0,4%	-0,4%	8,1%	2.133	6.824	-8,5%	121	320%	32.525	2,06	-2,9%	35,7	14,81	0,87
1917	79,9%	-1,7%	-2,1%	2,1%	1.784	7.243	-9,8%	175	406%	32.059	2,00	-8,1%	35,2	16,16	0,94
1918	91,6%	-2,2%	-2,4%	4,3%	1.633	7.245	21,3%	144	444%	38.346	1,84	18,3%	34,6	13,13	0,84
1919	87,2%	-2,2%	-2,6%	-17,6%	2.116	6.733	3,3%	137	318%	30.093	2,30	3,7%	33,6	12,34	0,82
1920	97,8%	0,0%	0,0%	-19,6%	2.319	6.984	2,5%	122	301%	27.135	2,51	7,3%	33,5	11,97	0,72
1921	91,2%	0,8%	0,9%	-24,7%	3.024	6.481	0,4%	77	214%	19.049	3,12	2,6%	33,6	11,99	0,70
1922	91,6%	1,5%	1,6%	12,4%	3.346	6.916	0,4%	78	207%	21.508	3,07	8,0%	34,2	12,16	0,70
1923	99,8%	3,5%	3,5%	-0,3%	3.335	7.542	5,4%	83	226%	23.360	3,34	11,0%	35,2	11,86	0,66
1924	107,1%	4,7%	4,4%	7,0%	3.209	7.640	9,0%	97	238%	26.813	3,30	7,8%	36,9	11,42	0,63

In the case of the First World War, the decline of the rate of profit in 1914 was accompanied by a sharp drop in the real accumulation rate that thus entail a deep crisis with sharp falls in real wages and employment. The huge rise in international prices of Argentine exports allowed the bourgeoisie to maintain the level of the mass of profits, beyond the fall in the

⁸ In the next tables columns express these categories: rate of profit on fixed reproductive capital at current reproduction prices (ROP), volume or real accumulation rate (QAR), investment effort in nominal or current terms (IE), accumulation rate in constant dollars of 2012 (ARU\$\$2012), annual real labor cost per employee in pesos of 1993 (W, wages deflated by GDP price index), annual real net profits per employee in pesos of 1993 (P), growth rate in wage employment (Emp.), relative internacional prices of exported commodities (IP 1910=100), surplus value rate (SVR, as net profits/wages), total mass of profits in constant dollars of 2012 (PU\$\$2012), real exchange rate (RER, \$/U\$\$), growth rate of GDP (GDP), volume of fixed reproductive capital in billions of pesos of 1993 (K \$1993), technical composition of capital (TCC, as K per employee) and value composition of capital (VCC, net reproductive capital / net output at current prices).

year 1914. While the increase in these prices translated to the domestic economy, years of increases in international prices often involve sharp declines in real wages and increasing the rate of surplus value, as the years of falling prices expand real wages and the rate of surplus value is reduced.⁹

The mass of profits reached its peak, considering the first half of the twentieth century in 1918. In that year the economic recovery with high international prices implied a substantial growth in employment and GDP, including a reduction of real labor costs and a sharp increase in the rate of surplus value and the mass of profit, even with negative rates of accumulation. The sharp drop in wages resulted in a real wage level, which were only 60% of pre-war purchasing power, coexisted with a high demand for labor. In such conditions labor conflicts began a phase of ascent, while after 1918 the capitalist crisis is expressed in the form of a monumental collapse of the mass of profit (from 38.346 millions of constant dollars in 1918 to 19.049 millions in 1921) and devaluation of productive capital and money capital. The devaluation reached such magnitude that the rate of profit did not present significant variations between 1918 and 1921, as value of fixed capital decreased from 41.849 to 20.893 millions of constant dollars. Of course, from the perspective of capitalists, the maintenance of certain profitability level at the expense of the value of their assets is, mostly, ruinous picture.

Between 1918 and 1922 it occurred some of the most brutal repressions in Argentina's history, as *La Semana Trágica* (The Tragic Week) in 1919 and the killing of hundreds of workers in *La Patagonia Rebelde* (The Rebel Patagonia) episode in 1921. In the political fields of the bourgeoisie would be a strong political activity against workers that was reflected not only in the fascistic actions of the Patriotic League but also in the formation of the largest employers' organization of the time, *La Asociación del Trabajo* (the Labor Association), which would undertake a campaign against trade unions mainly from 1918-1921. In 1921, on the other hand, international relative prices settle at similar levels of the pre-war, falling 37,1% related to 1920, resulting a significant increase in real wages and a sharp annual fall of 29,8% in the mass of profit in constant dollars. From 1922 the accumulation process

⁹ In 1910-1914 general prices (GDP deflator) growth at a 1,8% rate, while in 1915-1918 increased at 14,5% annually.

surpassed employment and wage levels prevailing in 1912, increasing the mass of profit and accumulation rates.

At the end of the decade, however, a historic general crisis of capitalism triggered. The effects in Argentina were usually underestimated, largely because the analysis had been centered in what capitalism is indeed not, a mode of production focused in the production of use values and restricted to a national space. Thus such views evaluated only the physical or real evolution of GDP as irrefutable proof of the alleged smooth effects of the Great Depression in Argentina.

However, considering some categories more related to capital accumulation itself, we get a completely different picture, which otherwise reinforces a view of the political changes initiated in 1930 as a political reaction to an economic crisis.¹⁰

The mass of profits of 1929 would be surpassed just in 1944; despite that recovery in the mass of profits in world money would begin to decline after 1948. The rate of profit dropped from 89,4% in 1929 to 61,9% in 1932. The real rate of accumulation experienced a sharp slowdown from 6.0% to -1.4%, while the accumulation in constant dollars fell sharply during 1930 and 1931. The real exchange rate rose from 2,88 to 4,81. The rate of growth of employment was negative from 1929 to 1932.

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K	TCC	VCC
1925	102,4%	4,3%	4,2%	15,7%	3.292	7.498	-0,9%	113	228%	29.681	2,95	-0,4%	38,6	12,03	0,65
1926	94,4%	4,2%	4,5%	4,1%	3.451	7.394	4,2%	99	214%	28.464	3,05	4,8%	40,3	12,06	0,69
1927	92,0%	5,0%	5,5%	11,9%	3.659	7.237	6,3%	110	198%	31.067	2,90	7,1%	42,4	11,95	0,69
1928	90,0%	5,6%	6,3%	7,0%	3.863	7.166	4,2%	112	185%	32.504	2,87	6,2%	45,0	12,16	0,68
1929	89,4%	6,0%	6,7%	5,5%	3.890	7.697	-0,5%	114	198%	34.079	2,88	4,6%	47,9	13,01	0,70
1930	85,7%	3,7%	4,4%	-9,1%	3.632	7.731	-2,6%	93	213%	29.701	3,19	-4,1%	49,7	13,87	0,74
1931	69,7%	0,0%	0,0%	-12,4%	3.690	6.956	-1,7%	78	188%	21.184	4,26	-6,9%	49,7	14,09	0,87
1932	61,9%	-1,4%	-2,2%	2,5%	3.690	6.683	-1,2%	66	181%	19.274	4,81	-3,3%	49,0	14,08	0,97
1933	73,0%	-0,8%	-1,1%	15,8%	3.692	6.868	3,0%	70	186%	26.309	3,37	4,7%	48,6	13,56	0,83
1934	76,7%	0,8%	1,1%	-12,9%	3.316	7.527	5,9%	83	227%	24.069	4,79	7,9%	49,0	12,90	0,85
1935	77,1%	1,2%	1,5%	2,3%	3.517	6.755	10,0%	101	192%	24.783	4,44	4,3%	49,6	11,86	0,80

¹⁰ In 1930 there was a coup against the elected government of Hipólito Yrigoyen, starting a period of dictatorships and political conservatism until 1945, generally known as La Década Infame (The Infamous Decade).

1936	70,1%	2,0%	2,8%	21,8%	3.555	6.713	1,1%	107	189%	27.427	3,93	0,8%	50,6	11,98	0,88
1937	82,1%	3,8%	4,7%	4,3%	3.442	7.052	4,9%	138	205%	33.520	3,67	7,2%	52,6	11,87	0,77
1938	60,4%	3,3%	5,5%	10,1%	3.685	6.744	-0,5%	86	183%	27.139	4,26	0,3%	54,4	12,33	1,00
1939	67,0%	1,4%	2,1%	-11,9%	3.611	6.843	4,0%	72	190%	26.550	4,57	3,8%	55,2	12,02	0,91
1940	60,6%	0,6%	0,9%	13,2%	3.620	7.052	-0,1%	75	195%	27.177	4,54	1,6%	55,5	12,10	1,02
1941	57,5%	0,0%	-0,1%	11,2%	3.693	7.340	2,6%	80	199%	28.635	4,51	5,2%	55,5	11,79	1,09
1942	61,3%	-0,6%	-0,9%	0,5%	3.704	7.746	-2,2%	81	209%	30.728	4,72	1,1%	55,2	11,99	1,04

In the same year of 1932 the mass of profit fell to a cyclical trough. The decline in the profit rate coincided with a clear drop in international prices and a devaluation of capital both in its productive (accumulation rates in constant dollars of -9.1% and -12.4% in 1930 and 1931) and money (the real exchange rate increased from 2.88 to 4.81 between 1929 and 1932) forms.

From 1933 some variables showed a recomposition. GDP increased with a higher incidence of employment in a context of relative higher profits related to the previous years. However, in 1937 this short recovery cycle reached its highest point, in conjunction with a new recomposition of international relative prices of exports. The profit rate which in 1933-1937 averaged 75,8% in the next five years would show an average level of 61,4%, while real rates of accumulation for the same periods were 1,4% and 0,9 %. In this same sense the rate of growth of employment slowed markedly, from growth rate of 5,0% to 0,8% in 1938-1942.

In 1943 both real wage and profits per employee exceeded the level of 1929. From 1944-1948, with the exception of 1945, years of economic expansion and the real rate of accumulation is finally living increases.

In the case of the Second World War the context is different compared to the First War, and the increased profits in dollars motivated by the increase in international prices was not accompanied by a significant drop in labor costs. Thus the growth of profits resulted in a growth of the real rate of accumulation and employment. Some particular government policies (regulation of rental housing and food prices, both related to land rent) also allowed a smaller relative increase in the consumer price index compared to the index of output prices, which ultimately represented a further increase in real wages in relation to the labor cost. The increases in international prices did not appear in the domestic context moving

prices and affecting the purchasing power of wages which would show an unusual increase under the first Peronist government, mostly between 1946 and 1949.

Nevertheless, since 1948 the fall in international prices and the maximum rate of profit or output-capital ratio (related to the devaluation of the currency and the increase in the relative price of investment) markedly affect the profitability of capital, falling the rate of profit from 62.3% in 1947 to 35.0% in 1950. In addition, the great development achieved by the labor movement allowed the working class to significantly improve its relative position. If in 1943 the rate of surplus reached 202%, by the year 1949 it had fallen to 118%.

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K	TCC	VCC
1943	55,8%	-0,4%	-0,8%	0,5%	3.985	8.046	-5,2%	97	202%	31.701	4,76	-0,7%	54,9	12,59	1,13
1944	68,2%	0,6%	0,9%	13,4%	4.142	8.144	9,2%	91	197%	35.485	4,81	11,3%	55,3	11,60	0,92
1945	53,5%	0,7%	1,2%	33,0%	4.513	8.369	-8,3%	92	185%	37.025	4,12	-3,2%	55,6	12,73	1,15
1946	62,5%	2,5%	4,1%	2,6%	4.693	8.686	5,4%	134	185%	44.418	3,84	8,9%	57,1	12,39	0,99
1947	62,3%	6,4%	10,2%	7,2%	4.891	8.193	12,5%	132	168%	47.446	4,29	11,1%	61,0	11,76	0,96
1948	48,6%	6,4%	13,2%	-9,1%	5.440	7.949	2,7%	88	146%	33.604	6,32	5,5%	65,1	12,23	1,17
1949	38,3%	4,4%	11,4%	-17,7%	5.878	6.958	2,2%	99	118%	21.834	7,98	-1,3%	68,1	12,52	1,35
1950	35,0%	3,5%	9,9%	-8,8%	5.927	6.748	1,4%	105	114%	18.192	8,78	1,2%	70,6	12,79	1,44
1951	42,6%	5,2%	12,1%	-25,5%	5.652	6.772	4,0%	97	120%	16.472	10,28	3,9%	74,4	12,96	1,22
1952	38,4%	3,2%	8,3%	28,7%	5.881	6.620	-4,3%	91	113%	19.102	7,33	-5,0%	76,9	13,98	1,31
1953	39,5%	2,8%	7,2%	11,0%	5.986	6.690	3,4%	89	112%	21.829	6,99	5,3%	79,1	13,92	1,26
1954	39,3%	2,4%	6,1%	-0,8%	6.333	6.944	0,6%	84	110%	21.520	7,57	4,1%	81,1	14,18	1,26
1955	45,3%	3,3%	7,2%	-11,0%	6.276	7.827	1,3%	76	125%	22.098	8,10	7,1%	83,8	14,47	1,16
1956	42,9%	3,5%	8,2%	15,6%	6.099	8.042	0,8%	79	132%	24.196	8,45	2,8%	86,9	14,88	1,26
1957	43,0%	4,3%	9,9%	13,4%	6.044	8.444	2,3%	73	140%	27.464	7,81	5,2%	90,7	15,20	1,29
1958	45,6%	5,0%	11,0%	7,2%	6.367	9.118	2,4%	74	143%	31.270	7,71	6,1%	95,5	15,63	1,23
1959	47,3%	2,9%	6,1%	23,4%	5.178	9.439	-2,5%	85	182%	39.972	5,80	-6,5%	98,4	16,50	1,29
1960	49,6%	6,8%	13,7%	13,5%	5.632	9.679	0,0%	82	172%	47.606	4,80	7,9%	105,5	17,71	1,21
1961	46,1%	7,8%	16,8%	17,8%	6.421	9.553	1,0%	82	149%	52.186	4,28	7,1%	114,4	19,00	1,23
1962	42,8%	5,7%	13,4%	-1,4%	6.267	10.061	-2,0%	85	161%	47.743	4,73	-1,6%	121,4	20,57	1,36
1963	42,9%	3,8%	8,8%	3,6%	6.067	10.027	-1,5%	89	165%	49.566	4,61	-2,4%	126,1	21,70	1,36

Between 1948 and 1951 the value of fixed constant capital in constant dollars dropped as the real exchange rate largely increased. As we saw earlier regarding value estimated by the MELT with the mentioned determinations on a national base, the value of fixed capital raised markedly reflecting the increase in national labor necessary to reproduce fixed capital. While during World War the real accumulation rates were low and the volume of social capital stagnated, since 1946 net investment and investment effort raised, particularly in

imported machines to replace obsolete fixed capital. International relative prices fell since 1948 reducing the entry of dollars, investment in machinery slowed and the volume of machinery per employee stagnated. And the same occurred to social necessary labor time, mainly if we consider that technical composition of capital remained in lower levels since 1930 and during World War II the growth rate in GDP was mostly explained by the growth on employment and not in productivity.¹¹ The valorization process was thus hampered contracting the mass of profits in constant dollars to an all-time record trough of 16.479 millions in 1953.

While labor costs only fell in 1951, the purchasing power of wages from the point of view of workers (wags deflated by CPI) experienced a continuous fall in 1950-1952 (however, by 1954 it showed similar levels to 1948-1949). In 1954 labor costs reached a new peak (6.333 pesos of 1993 per employee, from 4.693 in 1946) and the rate of surplus value a new trough record, until then, of 110%. Real net profits per employee were lower than in the early Peronists years (6.944 pesos of 1993 in 1954 and 8.686 in 1946).

With this decline of the rate of profit to the early years of the Peron government both the rate of accumulation and investment efforts had reduced their levels. It is within this profitability crisis picture that we can understand not only the growing concern in government about increasing productivity (attempting a gradual economic “rationalization” with the Stabilization Plan of 1952) and attracting foreign industrial capital (promoting FDI) but also the growing regimentation of the labor movement expressed in the growing intervention by the CGT (Confederación General del Trabajo, General Labor Confederation) in trade union sections to guarantee this new government position.

The increase in the rate of profit experienced since the overthrow of Peron by conservative sectors has one of its core causes in the growing attack on the working class by the Revolución Libertadora ("Liberating Revolution") and the increase in the rate of surplus value. The latter was based on a higher relative productivity growth relative to stagnated labor costs, which will not exceed the level of 1954 until 1964, and minor growth rate of

¹¹ We can decompose GDP evolution as a result of the evolution of employment (or population) and productivity (or GDP per employee or capita).

employment. Between 1959 and 1963 this rate was mostly negative, with an average annual rate of -1,0%. In particular in 1959, under the Plan CONINTES Frondizi government deepened the repression of the labor movement resulting in a further decline in labor costs (5.178 pesos of 1993, a fall of 18,6% compared with 6.367 in 1958) and a larger increase in the rate of surplus value. Thus, even in a year with a sharp drop in economic activity, the rate of profit increased.

The mass of profits in constant dollars more than doubled related to Peronism, becoming a more attractive context for foreign direct investment, the latter being productive-capital that, beyond its mentioned specificity or course of action in the ISI context, became a breakthrough in the development of productive forces and the recovery of the economy. As figure N° shows above, relative productivity and MELT raised from low levels.

With the recovery of the rate of profit since the mid-fifties, accumulation rates and the investment effort increased. The massive FDI during this short period entailed high real rates of accumulation with similar levels than during Peronism. Nonetheless, while in the immediate postwar years such accumulation rates were based on commercial imports, in this new period those accumulation rate were based mainly on the massive entry of productive-capitals from US and Europe that implied too, and despite the ISI modality of production, both a systemic and national advance in concentration and centralization of capital. Finally, as a result of this substantial increase in net investment, the rate of profit would fall from 49,6% in 1960 to 42,8% in 1962. Consequently during 1962 and 1963 GDP and employment contracted, while real accumulation slowed.

Since 1964, the accumulation process started to show a gradual corrosion as valorization process. Conventionally, this period is defined as the second phase of ISI. While during the first phase branches producing simple consumption commodities like food and textiles were the most dynamic, in this second phase Argentina achieved the industrial production of durable and capital goods with the massive entry of foreign productive-capital (with the particularities already mentioned).

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K	TCC	VCC
1964	48,3%	4,1%	8,5%	10,5%	6.435	10.898	3,8%	93	169%	61.606	4,34	10,3%	131,5	21,81	1,22
1965	46,3%	3,8%	8,3%	-11,3%	7.133	11.121	3,1%	88	156%	52.476	5,32	9,2%	136,7	21,99	1,24
1966	41,8%	3,6%	8,6%	25,3%	7.701	10.304	0,5%	94	134%	59.406	4,12	0,6%	141,8	22,69	1,28
1967	37,9%	3,9%	10,2%	-7,6%	7.972	9.424	3,2%	88	118%	49.634	4,59	2,6%	147,5	22,88	1,34
1968	38,0%	4,7%	12,3%	11,2%	8.094	9.663	1,3%	91	119%	55.329	4,07	4,3%	154,7	23,69	1,34
1969	40,8%	6,2%	15,1%	1,6%	8.397	10.249	4,2%	90	122%	60.372	4,18	8,5%	164,9	24,24	1,26
1970	40,5%	6,1%	15,1%	0,7%	8.877	10.468	2,2%	89	118%	60.441	4,29	5,4%	175,6	25,26	1,25
1971	41,2%	6,5%	15,9%	-14,9%	9.169	10.780	2,0%	91	118%	52.281	5,28	3,8%	187,9	26,49	1,23
1972	42,8%	6,1%	14,3%	-11,8%	8.469	11.673	1,5%	87	138%	47.952	6,46	2,0%	200,2	27,80	1,26
1973	40,6%	4,8%	11,9%	62,4%	9.478	11.120	1,8%	128	117%	73.788	4,19	3,9%	210,3	28,69	1,24
1974	33,1%	4,5%	13,7%	-8,4%	10.431	9.703	3,9%	126	93%	55.075	5,39	5,4%	220,2	28,91	1,35
1975	25,0%	3,4%	13,4%	-21,3%	9.768	9.586	2,9%	93	98%	32.786	9,75	-0,6%	227,9	29,06	1,83
1976	32,9%	4,1%	12,6%	51,0%	6.308	13.058	-0,4%	89	207%	64.994	6,42	0,0%	237,7	30,44	1,89

In 1966 and 1967 the rate of profit fell to similar levels prior to 1955 and the rate of surplus value from 169% in 1964 to 134%. The amount of the mass of profit in constant dollars would not exceed its 1964 level until the advent of the last dictatorship in 1976. The only exception was 1973, when an abrupt rise of relative export prices played a key role. Real profits per employee, beyond a peak in 1972, also remained stagnant.

As real accumulation rates kept high, and even increasing since the rate of profit raised after 1967, employment and class struggle increased steadily. Labor costs increased sharply from 6.435 pesos of 1964 to an average of 9.893 in the 1973-1975 triennium, while real net profits per employee fell from 10.898 in 1964 to 10.136.

In 1971-1972 started to manifest more clearly the slowdown of the accumulation process more clearly. The real rate of accumulation and investment efforts reached a peak in 1971 and then show declining rates. Accumulation rates valued in world money, negligible in 1969 and 1970, was negative between 1971 and 1975 with the aforementioned exception of 1973.¹² From this last year real profits per employee begun to fall and the rate of surplus reaches a new trough of 93% in 1974, which capitalists would fail to reverse in the next year thanks to

¹² We may then set the following development of the accumulation measured in dollars since the fifties. From 1956-1964 the accumulation is sustained, with positive rates in almost every year. Between 1965 and 1968 the accumulation begins to show a more irregular path with contractions (1965 and 1967) and expansions (1966 and 1968). Since 1969 the accumulation shows a clear stagnation (1969 and 1970) which then becomes persistent contractions (1971, 1972, 1974, 1975) with the aforementioned exception of 1973.

the extraordinary mobilization of the working class that dismantled the brutal adjustment plan, known as the *Rodrigazo*, implemented by the Peronist government.

1975 will indeed be the year of the outbreak of the general crisis. The rate of profit would reach a new record low of 25,0% (in 1974 having also reached a new record low of 33,1%) while the mass of profit in constant dollars collapsed by 40,4%. Fixed capital was devalued by 21,3%, while the real exchange rate increased from 5.39 to 9.75 in a year.¹³

Class struggle raised in this context and the working class, in particular its most combative sectors, succeeded resisting the *Rodrigazo* as trade-unions pressured by their bases achieved new wage bargains which allowed to overcome higher inflation and the wage freeze implied in the adjustment plan. The intensification of the conflict in all its forms, direct and indirect, was unable to impose bourgeois social and political conditions improve their profitability and whose social dominance began to be questioned. The new support of a considerable part of the ruling class to the return, formerly denied, of Perón in 1973 had shown both the intensification of social conflict and deteriorating of accumulation, to which Peron appeared as a last resort of political and social stabilization in his capacity as Bonapartist leader.

The failure of the *Rodrigazo* adjustment plan in particular and of the Peronist government in general, despite the increasing systematic killings of trade-unionist and leftists made by the own government (via the para-governmental organization AAA -Alianza Anticomunista Argentina, Argentinean Anticommunist Alliance-), begun to nucleate whole factions of the ruling class behind the same political solution: the establishment of a military government to sweep away all political, social and labor resistance, particularly its classist and combative sectors of the Peronist and socialist left, to relaunch accumulation expanding the rate of surplus value.

¹³ As we stated above, the maximum rate of profit also showed a historic drop, so we cannot confuse the true downward effect of the increasing wage share in the rate of profit with its fundamental explanation, the falling maximum rate of profit as an expression of the accumulation of capital.

Additionally, it could be argued that the fall in the maximum rate of profit (the output-capital or living-objectified labor ratios) reflected a disincentive to economic activity caused by class struggle and labor organization which would be expressed in a decrease of the product. However neither output or employment growth rates showed a significant fall in such direction.

The annual doubling of the rate of surplus achieved by the military dictatorship and state terrorism caused an immediate increase in the rate of profit from 25,0% in 1975 to 32,9% in 1976 and 37,3% in 1977, remaining anyway in lower levels than pre-1973 years.

The rate of accumulation and the investment effort also increased during the first two years of the dictatorship. While the mass of profit in constant dollars increased markedly thanks to the huge appreciation of the exchange rate (and the devaluation of the dollar by US), the rate of surplus began a rapid decline from the 221% reached in 1977 to 129% in 1980. The wage share just partly recovered and the outbreak of the global crisis of 1981-1982 implied a new setback in this aspect. However, in 1982 the rate of surplus value raised to 207% and the real labor cost per employee dropped 32,9% compared to 1980. The magnitude of this adjustment over the working class is clear when we consider that both in 1976 and 1982, real labor cost fell to its 1954 level.

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K	TCC	VCC
1977	37,3%	6,4%	17,3%	42,6%	6.404	14.151	0,4%	77	221%	105.269	4,06	6,4%	254,1	32,41	1,70
1978	32,2%	4,2%	13,1%	32,9%	6.926	12.969	-0,9%	74	187%	120.766	3,03	-3,2%	265,3	34,14	1,85
1979	33,2%	4,3%	12,9%	38,1%	7.995	13.129	0,9%	86	164%	171.792	2,16	6,9%	277,2	35,36	1,72
1980	30,8%	4,4%	14,4%	32,1%	9.316	12.034	0,4%	89	129%	210.696	1,68	1,5%	290,1	36,83	1,67
1981	30,2%	2,6%	8,6%	-41,5%	8.374	12.220	-1,1%	90	146%	120.501	3,00	-5,4%	297,9	38,25	1,79
1982	27,6%	0,5%	1,9%	-44,0%	6.251	12.956	0,6%	77	207%	61.754	7,11	-3,2%	299,5	38,21	2,20
1983	26,8%	0,6%	2,2%	6,9%	7.680	12.839	-1,7%	86	167%	64.223	7,20	4,1%	301,3	39,10	2,10
1984	23,9%	0,3%	1,4%	12,4%	8.815	11.196	4,2%	85	127%	64.255	6,39	2,0%	302,3	37,66	2,12
1985	23,7%	-0,6%	-2,4%	-10,3%	8.229	10.457	0,7%	79	127%	57.125	6,34	-7,0%	300,6	37,20	2,12
1986	25,7%	-0,1%	-0,3%	8,6%	8.822	10.540	3,2%	59	119%	67.464	5,12	7,1%	300,3	36,01	1,91
1987	27,0%	0,8%	3,0%	-13,8%	8.524	11.181	1,5%	57	131%	61.082	6,06	2,6%	302,8	35,76	1,90
1988	30,5%	0,5%	1,5%	17,0%	7.075	12.093	1,7%	66	171%	80.740	5,58	-1,9%	304,1	35,33	1,86
1989	30,8%	-0,9%	-2,8%	-39,3%	5.667	11.934	0,3%	70	211%	49.473	8,96	-6,9%	301,5	34,93	1,97

The crisis was expressed in a further decline in the rate of profit and a dramatic slowdown in the rate of accumulation and investment effort. The devaluation of capital in constant dollars was 41,5% and 44,0% in 1981 and 1982, the real exchange rate jumped from 1,68 in 1980 to 7,11 in 1982. The mass of profit decreased 70,7% in 1982 compared to 1980. This organic (and global) crisis of capitalism would lead to a crisis of the military dictatorship, underpinned by a growing popular mobilization and also a discontent of the capitalist class regarding this new valorization conditions. These aspects has been largely hidden by the post-

dictatorial intelligentsia and academics under the false dictatorship/democracy dichotomy as the alleged axis for understanding historical processes (which on the other hand will make clear further, and even larger, crises under democracy governments). In other cases related to specific economic perspectives, these aspects had been transformed into a simple "debt crisis" decontextualized of general and global crisis started in the seventies and early eighties (in the peronist or Keynesian perspectives) or a crisis due to the larger state intervention in the economy implied in the ISI years (in neoclassical or conservative perspectives).

The maximum rate of profit (net output-capital ratio) hit a new trough in 1982 although, given the decline in labor costs which allowed increasing the rate of surplus value, the rate of profit would reach a new low record, for the entire 1910-2011 period, in 1985.

Our estimates for the eighties represent an important confirmation. In this decade when the rate of profit reached record lows there is also a collapse (mainly during 1980-1982) of the real rate of accumulation and investment effort, which break an upward historical trend. La Década Perdida (The Lost Decade) was thus the decade with the lowest rate of profit throughout the history of Argentina.

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K	TCC	VCC
1990	24,0%	-1,6%	-6,8%	132,9%	7.501	9.845	-1,0%	59	131%	89.806	3,67	-1,8%	296,7	34,71	2,11
1991	27,7%	-0,1%	-0,4%	5,8%	8.725	9.600	5,0%	58	110%	109.496	2,71	10,6%	296,3	33,00	1,71
1992	29,7%	2,2%	7,3%	7,3%	9.696	9.698	2,3%	57	100%	126.017	2,24	9,6%	302,9	32,99	1,53
1993	29,8%	3,4%	11,3%	9,0%	10.661	10.362	-1,7%	61	97%	137.901	2,11	5,7%	313,5	34,75	1,51
1994	33,4%	4,5%	13,3%	2,7%	10.852	11.842	0,1%	57	109%	158.851	2,07	5,8%	328,1	36,34	1,45
1995	32,3%	2,7%	8,4%	4,3%	10.046	11.928	-0,9%	58	119%	160.151	2,07	-2,8%	337,2	37,68	1,54
1996	36,2%	3,3%	9,2%	-0,8%	9.523	13.459	0,3%	68	141%	177.894	2,12	5,5%	348,8	38,87	1,48
1997	37,8%	4,7%	12,6%	1,2%	9.599	13.514	7,6%	55	141%	188.106	2,16	8,1%	366,2	37,94	1,42
1998	35,5%	5,0%	14,0%	2,4%	10.100	12.885	4,1%	50	128%	181.057	2,17	3,9%	385,4	38,37	1,45
1999	32,4%	3,3%	10,1%	-0,1%	9.905	11.993	1,3%	48	121%	165.177	2,25	-3,4%	398,5	39,15	1,54
2000	33,8%	2,4%	7,2%	-2,9%	9.591	12.489	-1,9%	50	130%	167.048	2,32	-0,8%	408,5	40,91	1,52
2001	31,5%	0,8%	2,6%	-3,9%	9.800	12.200	-4,5%	54	124%	149.712	2,43	-4,4%	411,9	43,19	1,58
2002	28,9%	-1,7%	-6,0%	-52,5%	7.398	14.048	-7,4%	59	190%	65.219	6,18	-10,9%	404,8	45,82	2,02

In the context of a global crisis, and considering that since the early seventies the industrial transnational capital reduced its investments in Argentina, the relative growth of national economic groups in the period responds largely to a significant worsening of profitability

conditions and the relative MELT which implied that Argentina represented less attractive national space for those transnational operations. However, once partially restored profitability conditions, industrial transnational capital would expand markedly its relative incidence, as finally happen since the nineties, with a definitive different context than during ISI decades.

During the nineties the rate of profit had a sustained recovery from the trough of 1990 (24.0%) to 1997 (37.8%). Labor costs and employment showed an up until 1993, with an already negligible growth in 1994. The rate of surplus value fell to 97% in 1993. The Tequila Crisis in 1995 affected financing and indirectly the rate of accumulation and the investment effort which during the 1992-1994 triennium had shown an upward trend that allowed a sharp reduction in unit value of capital after a decade of substantial stagnation in productivity and social necessary labor reduction (see Figure).

After 1995, on the other hand, the unemployment rate would show a sharp increase in a decade with very low levels of job creation. Thus, in 1996 the rate of surplus increased from 119% to 141% both due to the absolute decrease in labor costs and the growth of real net profits per employee. Nonetheless from 1998 the latter begin to fall after two years of expansion in employment. The unemployment rate would then increase without expanding the rate of surplus value, implying a reduction in the mass of profit by the lower number of working days. The marked expansion of the industrial reserve army showed limits to expand the rate of surplus value by reducing the workforce beyond a certain limit.

The rate of accumulation and the investment effort experienced a marked slowdown after 1998. The devaluation of capital also accelerated: 0,1% in 1999, 2,9% in 2000, 3,9% in 2001 and finally in the outbreak of the crisis, 52,5% in 2002.

Since the cyclical peak in 1997, the rate of profit fell persistently reaching a floor of 28.9% in 2002. The mass of profits in dollars, due to the sharp depreciation of the currency that caused the crisis, declined to almost 1/3 of its cyclical peak, yet having a noticeable increase in the rate of surplus value explained by the huge reduction in labor costs and the attack on the living conditions of the working class. Depression of wages below the value of labor force,

like in the previous crisis since 1975-1976, as a counteracting factor has a central relevance for the capitalists. In a historical regression rarely seen, real wages in 2003 were thus the lowest since 1945 and 25,5% lower compared to 2001 (labor cost fell 26,2%) and 55,2% lower in relation to all time peak reached in 1974.

The increase in the rate of profit since 2003 has been accompanied by a significant growth in employment, giving that the rate of surplus value surpassed a 200% level. The rate of accumulation and investment effort will achieve increasing rates, interrupted only in 2009, until 2011.

With the increased level of activity, productivity and international prices, the exchange rate appreciation during the growth cycle would be expressed in an increased mass of profits in constant dollars and a further cheapening in constant capital by imports.

The rate of profit in the period 2003-2008 tended to show a relatively stable path, increasing from 2003-2005 and remained practically at the same level during 2005-2007. Although it has a small decline in 2008, in 2009 with the development of the global crisis the rate declined seven percentage points (34,1% to 27,1%), showing in the next two years similar percentages compared to 2009.

From 2008, a slower pace of employment growth related to the relative worsening conditions of valorization, including a decline in the rate of surplus after the global crisis, real profits per employee fell from 14.376 to 12.272 pesos of 1993 pesos. The substantial increase in employment during the cycle also implied a recovery for trade-unions and their bargaining power.

	ROP	AR	IE	AR U\$\$ 2012	W	P	Em.	IP	SVR	P U\$\$ 2012	RER	GDP	K	TCC	VCC
2003	33,0%	-0,2%	-0,6%	15,4%	7.225	15.112	5,6%	55	209%	85.883	5,20	8,8%	404,0	43,31	1,86
2004	33,8%	1,9%	5,5%	11,5%	7.445	14.843	9,2%	58	199%	98.164	5,10	9,0%	411,7	40,41	1,79
2005	35,3%	2,9%	8,4%	8,8%	7.965	15.050	5,6%	58	189%	111.365	4,78	9,2%	424,2	39,43	1,69
2006	35,3%	4,1%	11,5%	8,8%	8.653	14.598	7,4%	62	169%	121.261	4,67	8,5%	442,1	38,27	1,63
2007	35,1%	5,7%	16,3%	15,2%	9.553	14.860	2,8%	74	156%	139.024	4,26	8,7%	469,0	39,49	1,59
2008	34,1%	6,6%	19,4%	15,7%	10.248	14.376	1,2%	90	140%	156.170	3,66	3,3%	502,3	41,81	1,57
2009	27,1%	4,4%	16,1%	0,0%	10.707	12.272	0,7%	72	115%	124.023	3,73	-4,6%	525,2	43,43	1,78
2010	28,7%	6,2%	21,7%	9,8%	11.403	12.764	2,1%	81	112%	144.377	3,16	8,2%	560,1	45,37	1,52
2011	28,9%	7,8%	27,0%	13,1%	12.085	12.610	2,7%	92	104%	164.046	2,76	5,8%	607,5	47,90	1,46

III) General trends of accumulation in Argentina 1910-2011

The rate of profit in Argentina during the last century fell markedly. The initial high levels were related to some specificities of the country and its position in world markets as massive producer of commodities related to differential rent.¹⁴

Relative prices of investment showed two different trends during the century. Until 1950 the rate of profit compared with the real (or volume) rate of profit showed a deeper decrease while since then it fell less than the real rate due to an improvement in relative prices of investment with the ISI until the 70s and the massive imports of machines since de 90s.

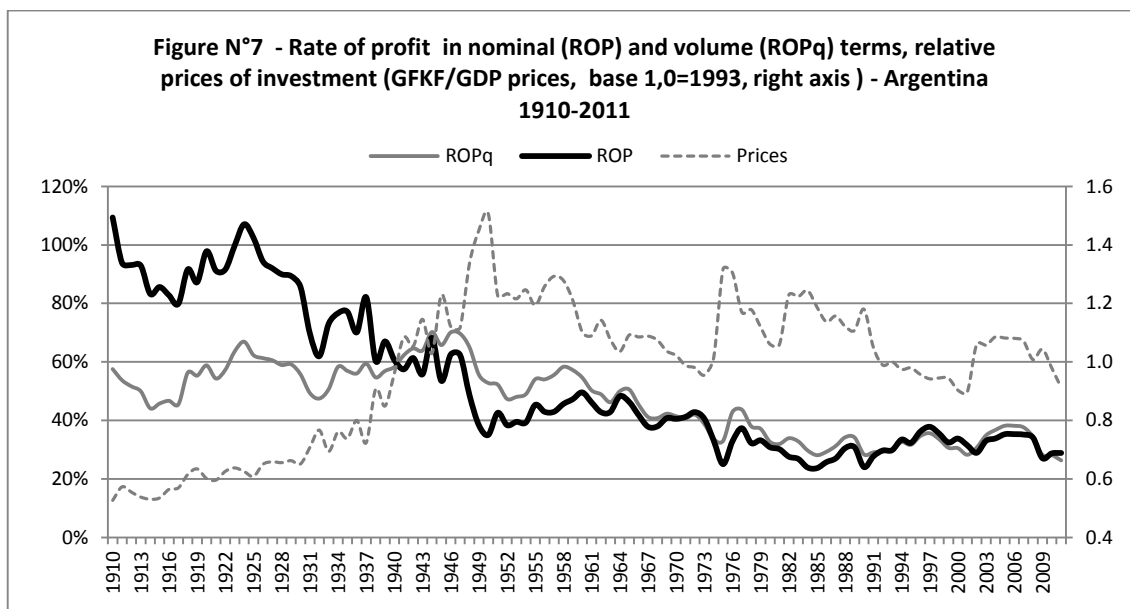
The real accumulation rate expresses the rate at which the net investment in fixed capital increases the volume of fixed capital while the investment effort reflects the ratio of net investment and net profits in nominal terms.

The evolution of the rate of accumulation and the investment effort is subject to two influences. In the long term, the increase in the organic composition of capital should develop an upward trend in these variables. However, additionally the rates should be

¹⁴ While value is established as social necessary labor time to produce one commodity with the average conditions of production, in rentist branches social production is not regulated by those average conditions but the less productive producer (of course, that less efficient producer is defined by the totality of producers and demand). These definitions have notable implications for a correct acknowledge of peripheral countries. In most of them production of commodities in branches subject to differential rent determinations has a central role on accumulation.

As natural conditions may affect differentially productivity of labor applied in some of these branches, extraordinary profits derived from those natural conditions take the form of differential rent (we will remain in the level of type 1 of differential rent, where all productivity differences are taken as based on differential natural conditions). Evenmore, as production prices in this branches are those of the less productive capitals, any capital with a higher productivity than the latter achieves an extraordinary profit (while less productive or marginal producers achieve the normal rate of profit). For this reason, rentist branches produce “false social values” as Marx asserted. Value of their productions is not determined by the average conditions and because of that their production is systematically sold above their value (as determined by average labor time): “What society overpays for agricultural products in its capacity of consumer, what is a minus in the realisation of its labour-time in agricultural production, is now a plus for a portion of society, for the landlords” <https://www.marxists.org/archive/marx/works/1894-c3/ch39.htm> . Differential rent thus may compensate to some degree the structural lower value per hour worked generally present in peripheral countries due to their lower productivity of labor in branches not subject to differential rent determinations.

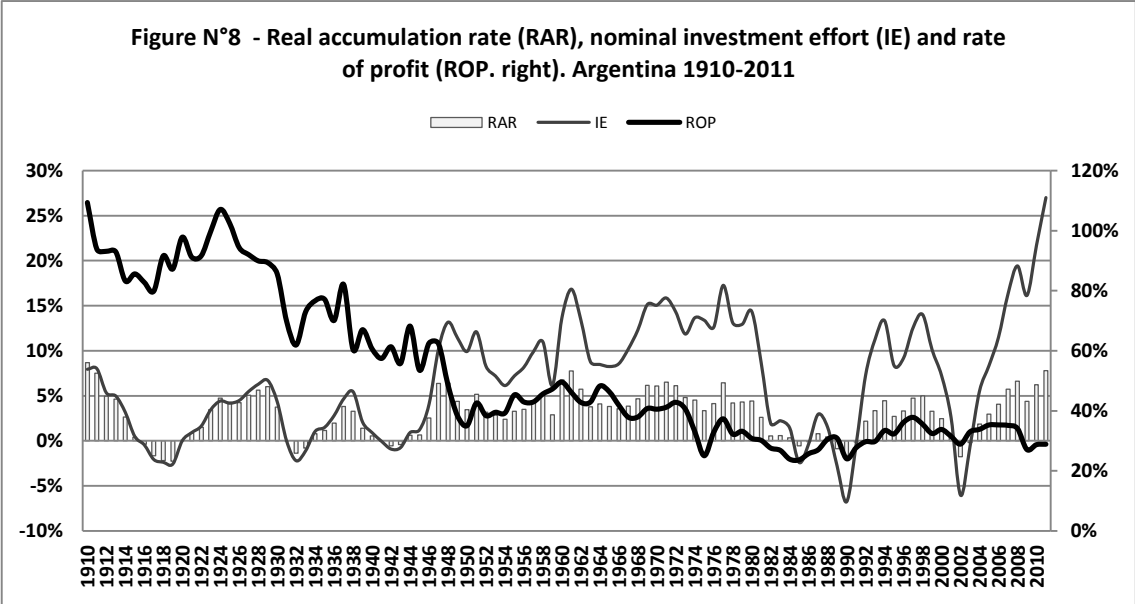
affected by short and medium term cycles when more concrete determinations exert their own influence. These trend cycles thus has to be treated in the context of that long run tendency. This is, we believe, a crucial point to understand the capitalist economy which normally is only analyzed from its cyclical trends as mere repetitions without inserting them in any overall trend.



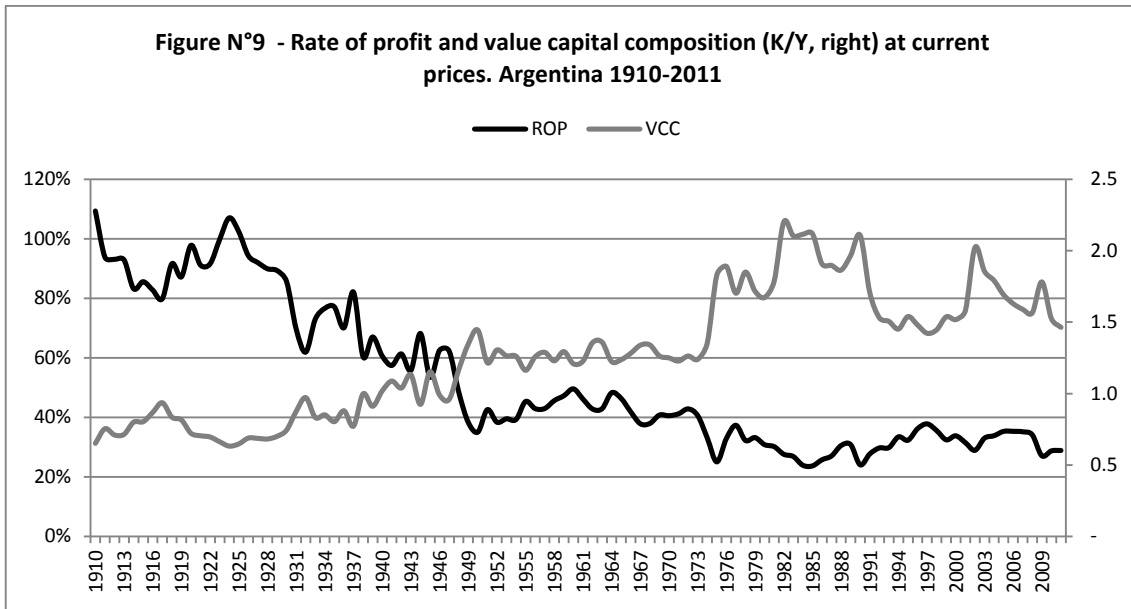
The rate of accumulation and the investment effort are closely related to the movement of the rate of profit. Once profitability falls to a certain level due to a high rate of accumulation, the latter finally descends too promoting destruction of the obsolete portions of capital as use value and value by the lack of equipment renewal and devalorization. As net investment falls, unemployment raises. The fall in surplus value determined by this reduction in labour force may be offset at some degree by the increase in surplus value rate derived of the expansion of the industrial reserve army and the fall of real wages.

As depression develops, concentration and centralization of capital imply bankruptcies of the less productive capitals including their fixed capital, allowing greater renewal of the latter on a new base. In this new picture of business restructuration and increasing profitability, capitalists begin a new cycle of investments that raise the rate of accumulation and investment effort, until the profit rate back down and the process restarts. However, this regular

succession is always part of the long-term trend of the three variables, not as a mere repetition, and should be included in each historical moment, considering the particular effect of the determinants.



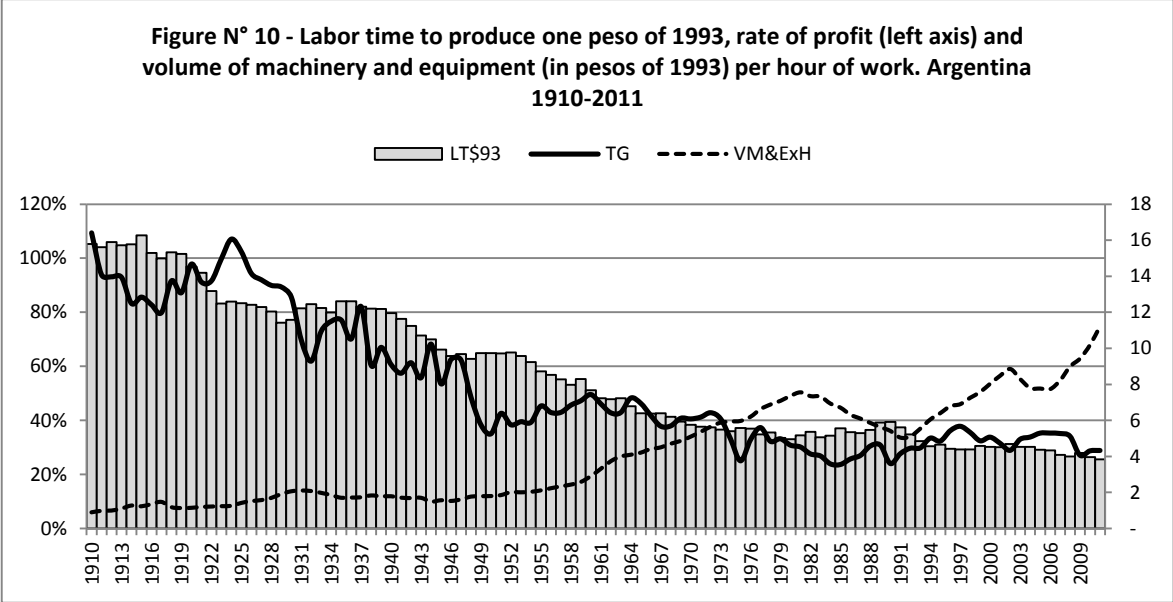
Considering the historical trend to reducing the share of profits in net product and the relative increase in fixed capital, each percentage point in the rate of accumulation means an increasing investment effort, as seen in the widening gap between both variables, for a relative lower rate of profit. Additionally, the decline in the relative price of investment optimizes the investment effort and partially counteracts the previous trend. Public policies that explicitly over-valued currency promote the import of means of production and the decline in their relative prices aiming to optimize the investment effort.



The investment effort, the ratio of the net investment that expands fixed capital and the mass of profit, presents an upward trend, finding its peak in 2011, when they accounted for 27.0% of net current profits. Considering the investment effort in gross terms, as the ratio of gross reproductive investment and gross profit (net profits and consumption of fixed capital), we found roughly the same upward trend, representing the gross fixed reproductive capital formation in 2011 38,1% of the gross profits. In short, and leaving aside cyclical movements whit all its analytical and historical relevance, capitalists tend to spend an increasing share of their profits productively, that is, the surplus is increasingly converted into capital at the expense of personal consumption of capitalists. This does not imply that the capitalists consume less but that an increased mass of surplus value, which represents an absolute increase of investment and personal consumption of the capitalists, tends to expand the portion for capital accumulation and expanded reproduction related to capitalists consumption.¹⁵

¹⁵ “With a given degree of exploitation of labour-power, the mass of the surplus-value produced is determined by the number of workers simultaneously exploited; and this corresponds, although in varying proportions, with the magnitude of the capital. The more, therefore, capital increases by means of successive accumulations, the more does the sum of the value increase that is divided into consumption fund and accumulation fund. The capitalist can, therefore, live a more jolly life, and at the same time show more “abstinence.” And, finally, all the

On the long run while the value composition of capital increased (Fixed capital- net output ratio at current reproduction costs), the rate of profit fell. As figure N°10 shows, in its own struggle to expand surplus value and reduce social necessary labor time or unit value of commodities, capital increases organic composition of capital resulting in a relative reduction of living labor which in the end reduces capital own valorization or the rate of profit.



In its development subject to the laws of value, capital thus develops the conditions for its own dissolution as mode of production.

METHODOLOGICAL ANNEX:

Fixed reproductive capital stock: constructed using investment serie from Tafunnel (2011) - 1856-1874-, Ferreres (2010) -1875-2009- e INDEC -2010-2011-, and reproductive construction share from Maia & Nicholson (2005), using perpethual inventory method (PIM)

springs of production act with greater elasticity, the more its scale extends with the mass of the capital advanced.” <https://www.marxists.org/archive/marx/works/1867-c1/ch24>.

with linear depreciation and assets lifetimes of 19 years for machinery and 48 years for constructions.

GDP series: Ferreres (1874-2011)

Wage Bill: from Graña (2006) -1935-1946- and Graña & Kennedy (2008) -1947-2006-. For 1910-1934, estimated in nominal terms using real wage and CPI evolutions from Ferreres (2010), and employment growth rate from Iñigo Carrera (2007), considering a constant wage owners rate of 70,5% (the average in 1947-1956 and for 1947-2006 according to Graña & Kennedy). For 2007-2011, own estimates based on Graña & Kennedy and INDEC.

Net Profits: Net operating surplus including mixed income. We subtracted to GDP the wage bill, consumption of fixed capital implied in our fixed capital series (gross reproductive fixed investment minus net reproductive investment) and net taxes on production from Lindenboim et al (2005).

Prices Indexes: from Iñigo Carrera (2007) -1910-1934-, Ferreres (2010) -1935-2009- and INDEC -2010-2011-.

Exchange rates: from Ferreres (2010).

Labor time to produce one peso of 1993 and volume of machinery per hour worked: Total hours worked by employees considering 50 weeks and a linear trend from 50 to 40 hours per week from 1910 to 2011. Labor time to produce one peso of 1993 as a proxy of unit value $= (1/\text{Real net value added per hour in pesos of 1993}) * 60$. Volume of machinery per hour worked as Real fixed capital in machinery and equipment in pesos of 1993 divided by total hours worked.

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