# THE EQUALIZATION OF THE RATE OF PROFIT VIEWED FROM THE PERSPECTIVE OF THE RATE OF PROFIT and FROM THE RATE OF RETURN.

I am repeating a previous post which covered the period 1997 to 2019. This post covers 1987 to 2021 due to the availability of more data from the BEA. Previous attempts by other Marxists, prior to my original post, have used rates of return which only provide a partial picture.

Of all the sectors construction was found to have the lowest composition of capital as measured by the ratio of circulating to fixed capital. The results can be seen in the first two graphs. Over time, the composition has risen as construction has become more mechanized. This is associated with a fall in both the Rate of Profit and Return. However, because the relative share of circulating capital has fallen slowing the rise in <u>total capital</u>, the Rate of Return has fallen faster than the actual Rate of Profit (Graph 2 trends).
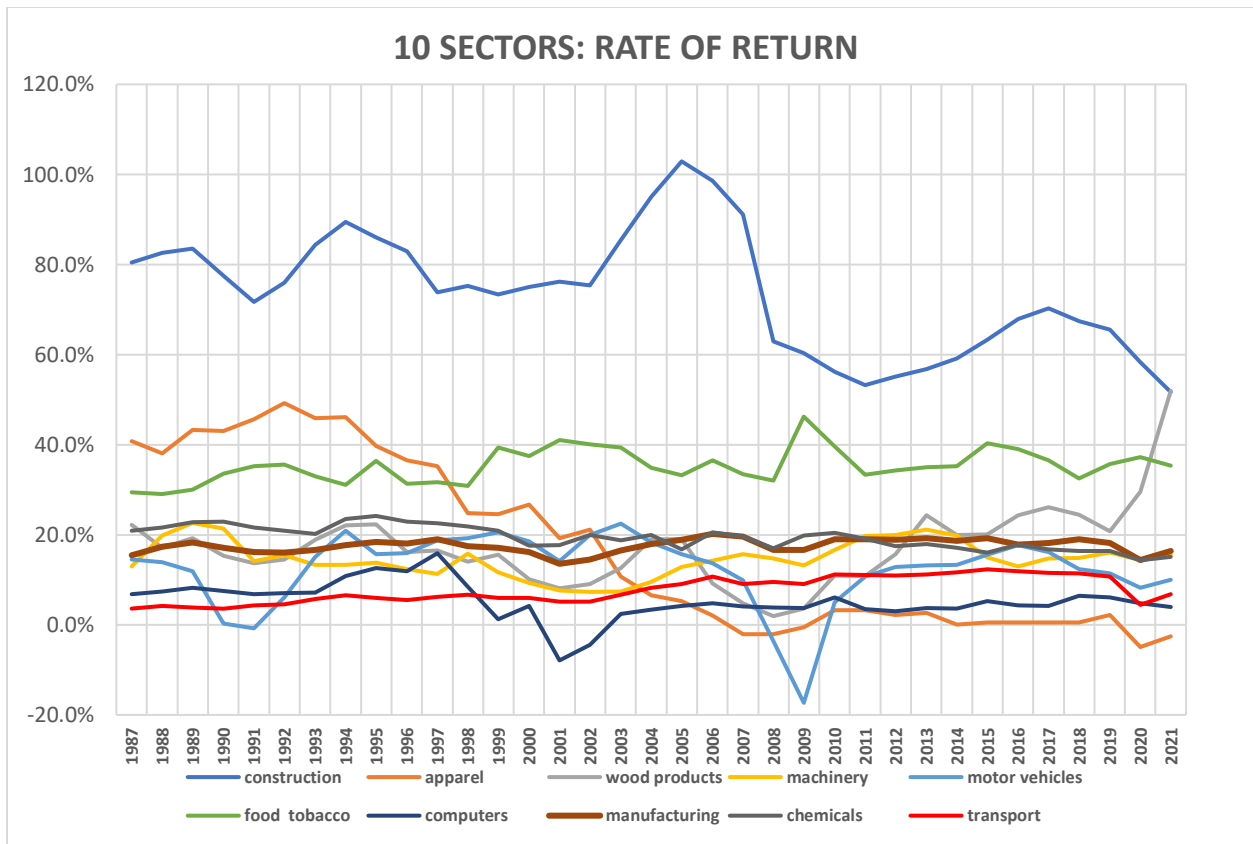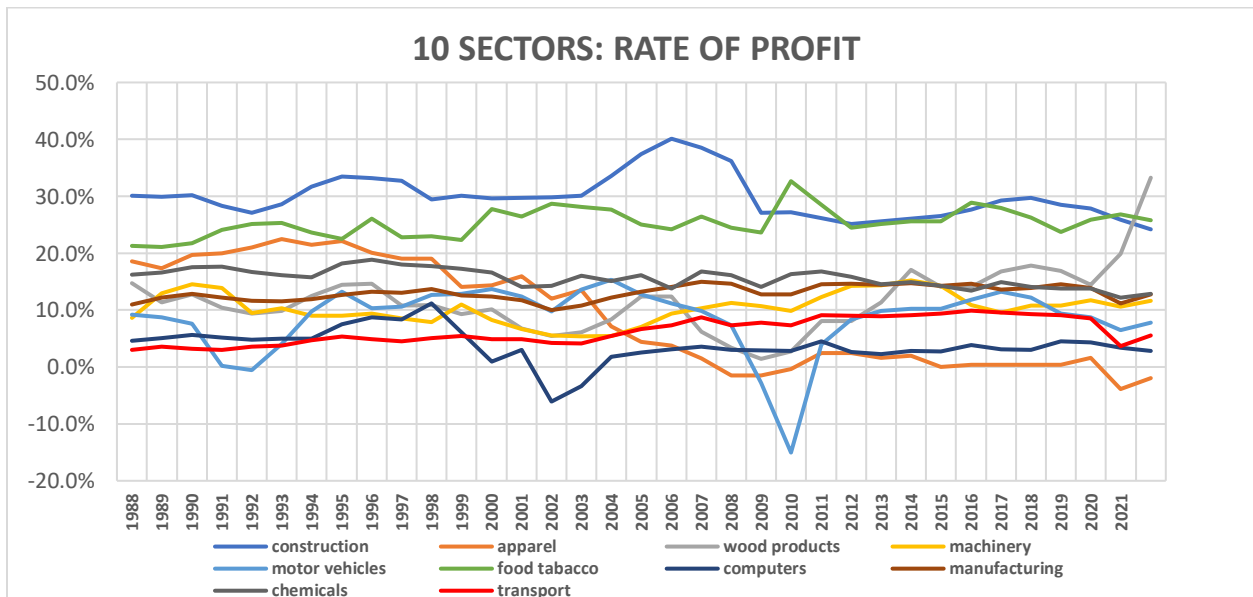
Graph 1.
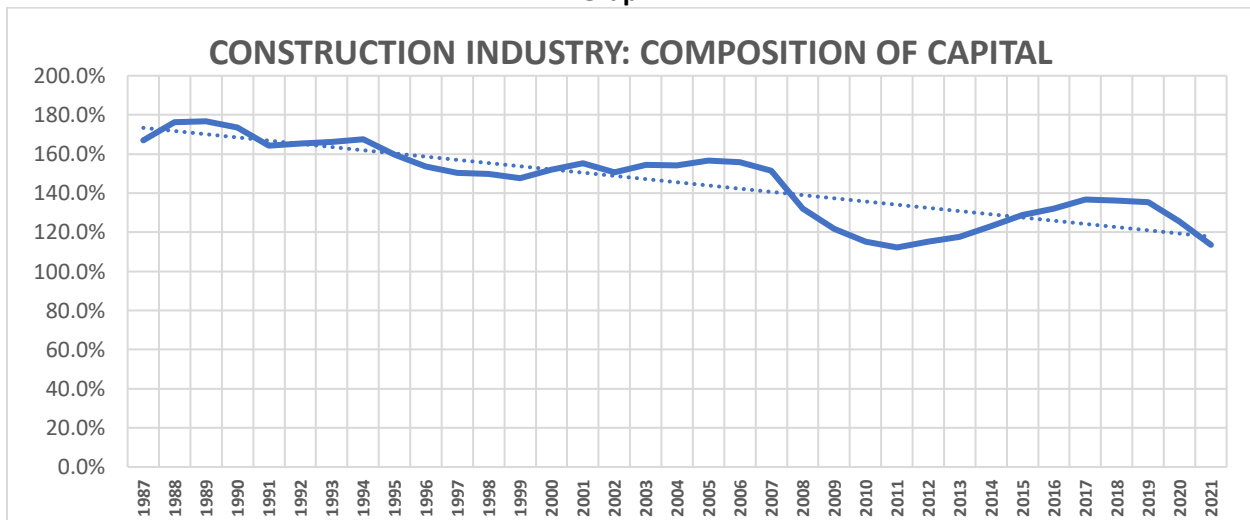
Graph 2.
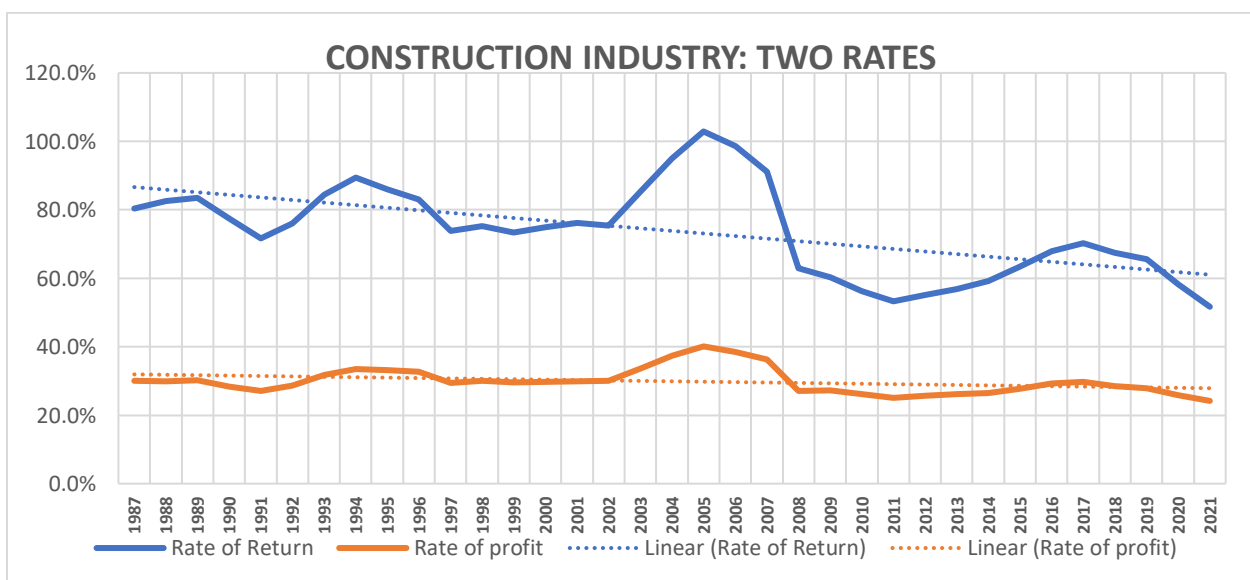
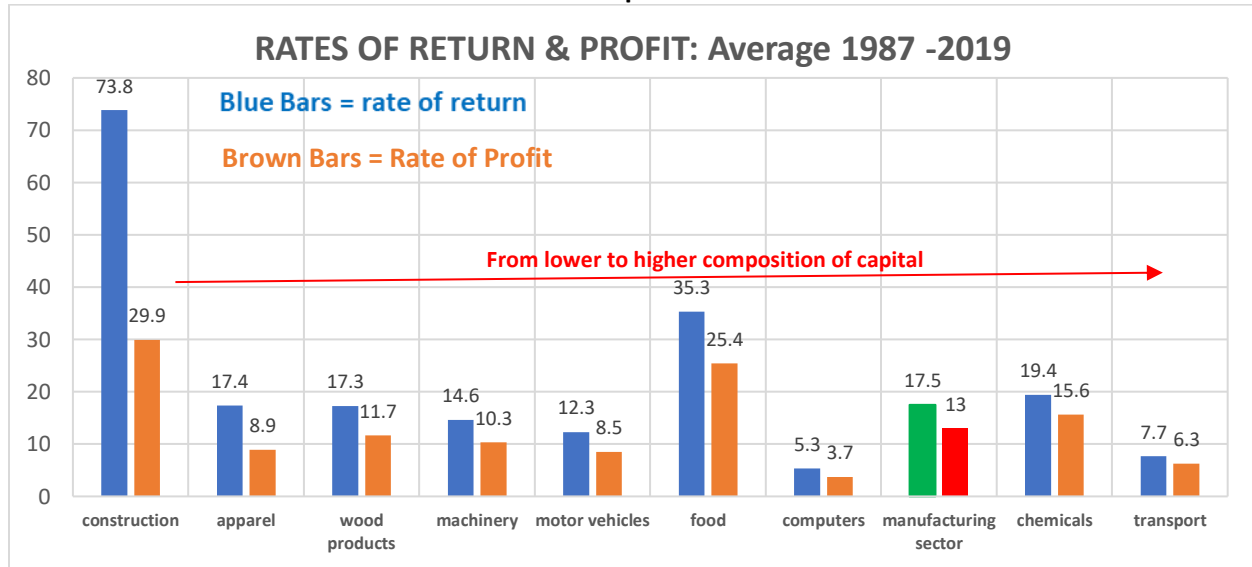Discussion regarding the graphs below follows on the next page. Both graphs are to scale for comparison.

Graph 3.

Graph 4.

Graph 5.

RATES OF RETURN & PROFIT: Average 1987 -2019

Blue Bars = rate of return

Brown Bars = Rate of Profit

From lower to higher composition of capital

construction: 73.8, 29.9
apparel: 17.4, 8.9
wood products: 17.3, 11.7
machinery: 14.6, 10.3
motor vehicles: 12.3, 8.5
food: 35.3, 25.4
computers: 5.3, 3.7
manufacturing sector: 17.5, 13
chemicals: 19.4, 15.6
transport: 7.7, 6.3

Discussion.

Two points to note. For a fuller description of the industries and sectors being examined please turn to the attached spreadsheet '*working paper comparing rates of profit*'. The second point is that on the previous page, the two graphs are to scale. Graph 3 is bigger because its range is double that of Graph 4. Therefore, due to the comparability of the graphs, the reader can assess the relative dispersion of the rates when measured by the Rate of Return versus the Rate of Profit.

In Graph 2 the absolute variation in the Rate of Return over this 38 year period is about 50% whereas the absolute variation as measured by the Rate of Profit is 30*%. In Graph 2 the absolute variation in the **Rate of Return** over this 38 year period is about 50% whereas the absolute variation as measured by the **Rate of Profit** is 30%. This reduction in mean variation of two fifths when measured against the rate of return or two thirds when measured against the rate of profit is of the utmost significance.* Conclusion: there is a tighter correlation when using the Rate of Profit than when using the Rate of Return. However despite this, there is a clumping effect to be seen in both. In the case of the Rate of Return, 7 out of the 10 sectors are clumped and in the case of the Rate of Profit, 8 sectors clump together. In my opinion this density proves that the Rate of Profit tends to equalize.

Graph 5 is the least interesting because it is not dynamic. But it does reveal those industries where the US is subject to the most international competition such as apparel, motor vehicles and computers. The low Rate of Profit for transport has everything to do with the composition of capital. The amount of fixed capital invested in transport and warehousing compared to construction is seven times larger relative to circulating capital which is one of the reasons for the depressed rate of profit.

Conclusion.

The Rate of Profit is more precise when measuring the equalization in profitability. The outlying industries move closer to the center while the bulk of the industries are more closely compacted. The variation between the Rate of Profit and Return increases as the composition of capital reduces, as exemplified by

the construction industry. Therefore between the imperialist economies with their high composition industries and the dominated economies with lower compositions, only the Rate of Profit will suffice.

Brian Green, 11th January 2023.