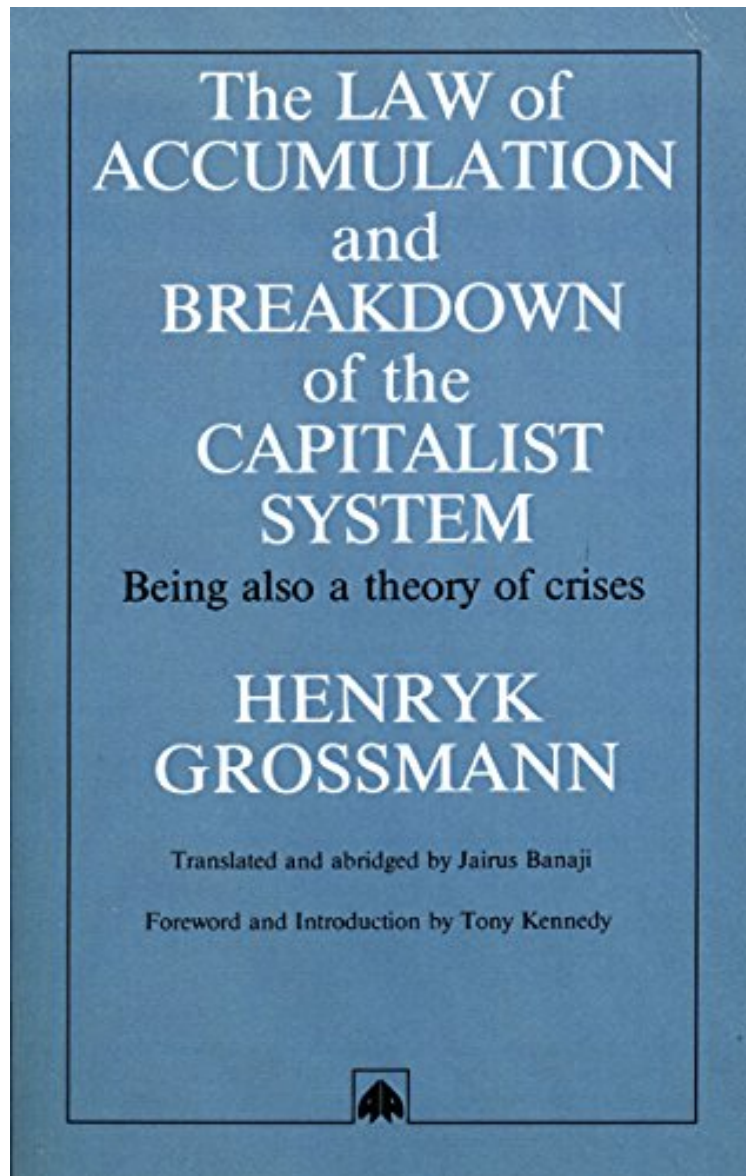


(Download free ebook) Law of Accumulation and Breakdown of the Capitalist System

Law of Accumulation and Breakdown of the Capitalist System

Henryk Grossmann

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Henryk Grossmann : Law of Accumulation and Breakdown of the Capitalist System before purchasing it in order to gauge whether or not it would be worth my time, and all praised Law of Accumulation and Breakdown of the Capitalist System:

22 of 22 people found the following review helpful. Marxian business cycles...By Brian C.I should admit upfront that I am far from being an expert in Marxian economics but since this book has not received any reviews yet and since it is really an excellent book and fairly important in terms of understanding the Marxian theory of capitalist crises and the

tendency towards breakdown I decided I'd give writing my own review a shot. Grossmann is a very clear writer and this book should be accessible even to those who are not already experts in Marxian economics (like me). Henryk Grossmann is really responding to what were at the time contemporary debates taking place within Marxian thought. Grossmann himself summarizes the debates in the first section of the book. At the time Grossmann was writing many Marxians had begun to question the historically ephemeral character of capitalism. The ultimate and inevitable breakdown of capitalism that Marx had predicted seemed to become less and less inevitable and some Marxians began to put forward the thesis that capitalism could theoretically last forever. In other words, there was no inherent limit to capitalism's expansion. Otto Bauer had worked out reproduction schemes based on the schemes presented in Marx's *Capital* which seemed to suggest that the process of accumulation could go on forever without running into any internal obstacles. Rosa Luxemburg was unsatisfied with this conclusion and attempted to save the thesis of inevitable breakdown by adding to Marx's schemes a theory about the realization of surplus value or profits. According to Luxemburg the reason it appeared that capital accumulation could go on forever was because Marx and his commentators were ignoring the problem of realization. As capitalism advanced it became increasingly difficult for capitalists to realize their profits in home markets and so capitalists were forced to rely more and more on non-capitalist markets for realization. This process could not go on forever since it relied on the presence of undeveloped non-capitalist markets which would disappear as these countries developed. This in a nutshell is the debate that Grossmann is responding to. Grossmann agrees with Luxemburg that capitalist accumulation cannot go on forever. There is an inherent tendency in capitalism towards eventual breakdown. Grossmann does not, however, believe that the tendency towards breakdown is a result of problems associated with the realization of profits. Grossmann returns to an analysis of Otto Bauer's reproduction schemes. Otto Bauer had only worked out his reproduction schemes for a period of about five years. Grossmann carries the analysis further and shows that eventually the process of accumulation runs into obstacles even without assuming any problems of realization. Basically the problem is a problem of valorization. As the organic composition of capital grows the rate of profit (and surplus value) declines. For awhile this declining rate of profit is compensated by a growing absolute mass of surplus value and profit but eventually the growing mass can no longer compensate for the declining rate and capitalists begin to see their funds for consumption decline absolutely. Since capitalist production is based on the valorization of capital, or the production of exchange value, this is a serious problem. If capitalists see their profits declining absolutely they have no more reason to continue investment and accumulation. As Grossmann says, "The limits to accumulation are specifically capitalist limits and not limits in general. Social needs remain massively unsatisfied. Yet from the standpoint of capital there is superfluous capital because it cannot be valorized" (pg. 189). It is interesting to compare Grossmann's theory to Keynes (though I am not an expert in Keynesian economics I will give the comparison a shot). Keynes sees the business cycle as rooted in problems of aggregate demand. Aggregate demand is composed of consumption and investment. Keynes believes the propensity to consume remains relatively constant. Investment on the other hand, as it is related to expectations about an unknown future, is volatile. If investment drops off due to fear about an uncertain future aggregate demand falls and the economy as a whole falls off the production possibilities frontier and is faced with some level of involuntary unemployment (assuming consumption does not increase). If I am reading Grossmann correctly I think he would be in partial agreement with this analysis. Business cycles are caused by a fall in investment due to low expectations in regard to the profitability of investment (or due to a decrease in the mass of surplus-value available for continued accumulation). But unlike Keynes Grossmann does not root this in 'animal spirits' or irrational human psychology or loss of confidence in an uncertain future. Capitalists have low expectations about future profitability because capital has been over-accumulated and due to the higher organic composition of capital the expansion of surplus value has reached an inherent limit. In other words, Grossmann grounds his analysis in the realm of production. All other realms are parasitic upon production. For example, according to Grossmann, speculation "is a means of balancing the shortage of valorization in productive activity by gains that flow from the losses made on the exchange by the mass of smaller capitalists" (pg. 192). In other words, no new value is created in speculation. Value is simply shifted from the losers to the winners (so to speak) and this acts, to some degree, as a counter-tendency to the reduced capacity for valorization. The "winners" are able to increase their mass of surplus-value by siphoning some of the surplus-value from the losers. The third section of Grossmann's book is taken up with the analysis of the counter-tendencies that work against the tendency towards breakdown. Grossmann points out the error in Luxemburg's theory of the exploitation of non-capitalist markets in this section. According to Grossmann non-capitalist markets do not serve as a means of realizing profits but as a source of surplus-value. Advanced capitalist countries do not exploit non-capitalist markets by exporting consumer goods that cannot be sold on the home market; rather, non-capitalist markets serve as a source of cheap labor which capital is able to exploit and so they serve as a source of additional surplus-value which is then shipped back to the home country. This helps to some degree to compensate for the lack of exploitable sources of surplus-value at home, but obviously this process cannot go on forever. There are a number of other counter-tendencies which I cannot summarize here due to space but this is definitely one of the more interesting sections of the book. So in conclusion, I would recommend this work to anyone interested in Marxian economics or just economics in general. Grossmann's presentation of Marx's ideas seems

to me (from my limited knowledge base) to be essentially correct. So even if you are not a Marxist this would be a good book to read if you want to learn what Marx was really saying.

'Law of Accumulation, first published in German in 1929 , is one of the seminal works of Marxian political economy, both in its method and in substantive theory. Reissued in the original German in 1970 , Grossmann's work has also appeared in Japanese, but there has never (until now) been an English edition. This is an important volume ... it will be essential reading for anyone with an interest in the development of Marxian economic theory.' Science Society

'One of the seminal works of Marxian political economy' -- Science Society
About the Author Douglas Dowd is a widely respected academic and political activist. He has taught at Cornell University, Johns Hopkins University, University of California, Berkeley, and San Jose State University and is currently teaching at the University of Modena in Italy. He is the author of *Capitalism and its Economics* (Pluto, 2004).