The Marxist Theory of Overaccumulation and Crisis

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In this paper I intend to contrast the 'falling rate of profit' crisis theories of the 1970s with the 'under-consumptionism' of the orthodox Marxist tradition. The central argument is that in rejecting traditional under-consumptionist theories of crisis contemporary Marxism has thrown the baby out with the bathwater, with unfortunate theoretical and political consequences. A more adequate critique of traditional underconsumptionism leads not to the falling rate of profit, but to a disproportionality theory of crisis.

The background to the paper is my recent book, *Keynesianism, Monetarism and the Crisis of the State*, which analyses the development of capitalism on the basis of the disproportionality theory of overaccumulation and crisis which is sketched out here. However in the book this theory is proposed without any reference to either traditional or contemporary debates. This paper arises out of the attempt to relate the theory of the book to those debates.

Contemporary Marxist Crisis Theory

The Marxist theory of crisis is distinguished from bourgeois theories in the first instance in being concerned with the *necessity* of crisis, in order to establish that the permanent stabilisation of capitalism and amelioration of the class struggle, on which reformism pins its hopes, is impossible. To show that crises are possible, and can result from a whole range of causes, is a relatively trivial exercise. To show that they are *necessary* is a much harder task.

The 1970s saw the development of a range of Marxist crisis theories. On the one hand, there were theories which explained crisis in terms of the impact of the class struggle on the rate of profit, 'neo-Ricardians' (who were soon expelled from the Marxist camp) focussing on the wages struggle, 'labour process' theorists focussing on the struggle over production. On the other hand, there were theories which explained crisis in terms of the 'law of the tendency for the rate of profit to fall', whether directly, as a result of the rising organic composition of capital, or indirectly, as a result of the exhaustion of the reserve army of labour.[1] All these theories, despite their differences, arose on a common foundation.

The theories of the 1970s were based on a common rejection of 'under-consumptionism', with its focus on barriers to realisation as the source of crises, which had supposedly dominated the orthodox Marxist tradition. The classic critique of under-consumptionism was that of Tugan-Baranowski, who used Marx's reproduction schemes to show that a crisis of underconsumption was merely a special case of a crisis of disproportionality, which Tugan saw as a result of the 'anarchy of the market'. While the anarchy of the market implies that proportionality can only be achieved through cyclical crises, it cannot provide the explanation for any secular tendency to under-consumption. This critique provided the basis for the reformist programme of the revisionist wing of social democracy, for whom the planning of investment and the appropriate regulation of credit could avert any tendency to crisis by maintaining proportionality.

The intitial response of orthodox Marxists to the revisionist critique was to re-assert the theory of 'under-consumption' against the disproportionality theory on the grounds that the tendency to under-consumption was not merely the result of the 'anarchy of the market', but expressed the contradiction inherent in the capitalist mode of production between the tendency to develop the forces of production without limit and the tendency to restrict the consumption power of the mass of the population. This defence left open the possibility that state-sponsored redistribution might counter the tendency to underconsumption, but such a possibility was ruled out by the class character of the state. Thus the orthodox critique of reformism came increasingly to rest not so much on its theory of crisis, as on its theory of the state. The Leninist theory of imperialism established the impossibility of the state

[1] Some writers adopted several theories, corresponding to different stages in the development of capitalism (e.g. Aglietta, E.O. Wright). All these theories, despite their differences, arose on a common foundation.

overcoming inter-imperialist rivalries to regulate capitalism, while the theory of state monopoly capitalism established the impossibility of the state regulating capitalism to the benefit of the working class. However the rise of Keynesian social democracy, and the apparent decline of inter-imperialist rivalry in the face of the socialist challenge, had undermined this critique by the 1960s, so that the burden of establishing the bankruptcy of reformism fell once more on the theory of crisis, a burden which the traditional underconsumptionist theory could not bear.

Keynesian social democracy sought to overcome the crisis-tendencies of accumulation by intervention at the level of distribution and exchange, while leaving the social relations of capitalist production intact. The Marxist critique of Keynesianism which developed from the late 1960s was based on an insistence that the necessity of crisis could not be located at the level of distribution or exchange, but had to be based on the 'general conditions of capitalist production' (TSV, **II**, 515).

This insistence on the primacy of production was implicitly or explicitly grounded in a mechanical materialism, which insisted that the immediate process of production was in some sense more 'real' than relations of distribution or exchange, a materialism which was a philosophical reflection of a narrow conception of the class struggle in which the horny-handed sons of toil were the privileged class warriors, a conception which might have reflected the reality of the rank-and-file struggles of an earlier era, but which was already becoming out-dated by the late 1960s.

The implication of this 'productivism' for the theory of crisis was that the source of crisis could not be seen in problems confronting the *realisation* of surplus value, but had to be rooted in the conditions for the *production* of surplus value. This implied in turn that the only possible source of crisis was a fall in the rate of profit, however that may be caused. In other words, whereas for the orthodox Marxist tradition a fall in the rate of profit was a *result* of the crisis, for the theories of the 1970s the fall in the rate of profit was the *cause* of the crisis. Different theories differed as to the precise cause of the fall in the rate of profit, but there was widespread agreement that the tendency to crisis lay in some form of tendency for the rate of profit to fall.

Corresponding to this emphasis on the production of surplus value, and the consequent focus on the fall in the *average* rate of profit, crisis theory was formulated at the level of capital-in-general, in abstraction from any problems of proportionality between the branches or departments of production, and so in abstraction from the use-value dimensions of the reproduction of capital, which it might be conceded could be a *possible* source of crisis, but which could never explain the *necessity* of crisis because they arose out of contingent market failures. This in turn implied, explicitly or implicitly, that the theories were formulated in terms of general equilibrium models, not in the belief that such models describe a real tendency, but on the grounds that the source of crises has to be discovered in the conditions of capitalist production, in abstraction from any market disequilibria which might contingently arise.

Although the debates around the theory of crisis reached a high level of theoretical sophistication, the theoretical framework within which the debates were conducted proved theoretically and politically sterile. On the one hand, it proved impossible to explain crises exclusively in terms of the conditions of production or the tendency for the rate of profit to fall, for the simple reason that a fall in the rate of profit is not a sufficient condition for a crisis. On the other hand, the crisis theories which emerged from the debate were concerned not with the historical tendencies of capitalist accumulation, but with producing a formal and abstract proof of the ultimate inevitability of crisis.[2]

The formal and abstract character of crisis theory had a debilitating political consequence. The 'objective' tendencies which explained the necessity of crisis were inscribed in the technology of capitalist production. The result was that, until these tendencies were realised in the form of downward pressure on the rate of profit, a crisis remained a formal and abstract possibility which had no relevance to the everyday reality of the class struggle or to the historical development of the capitalist mode of production. Correspondingly the Marxist critique of reformism remained formal and abstract, reinforcing rather than overcoming the sectarian isolation of the revolutionary left, as the theoretical sophistication of its crisis theory was matched only by its political irrelevance.

[2] The 'neo-Ricardian' and 'labour process' theorists were not much concerned with the inevitability of crisis, but focussed on the inevitability of class struggle. Their weaknesses were that they both tended to rest on a voluntaristic conception of the class struggle, and a correspondingly 'ethical' conception of socialism, and could easily be inverted to produce reactionary political implications, since crises could be attributed not to the inherent contradictions of the capitalist mode of production, but to the militancy of the working class.

If the theory had been correct, and a terminal crisis inevitable as a result of capitalism's own inherent logic, in abstraction from the development of the class struggle, this kind of sectarian revolutionary purism might be justified as a preparation for the revolutionary millenium, when the scales would fall from the eyes of the working class, the prophets would be recognised, and called on to provide leadership in the inevitable revolution. However the theory was by no means correct.

Most of the criticism of falling rate of profit theories focused on the issue of whether or not there is an inherent tendency for the rate of profit to fall. However this issue, while theoretically important, is beside the point. The more important issue is what connection any such tendency has with the theory of crisis. The fact of the matter is that a fall in the rate of profit is neither a necessary nor a sufficient condition for crisis. That a fall in the rate of profit is not a *necessary* condition for crisis is trivial and obvious - for the traditional under-consumption and disproportionality theories of crisis the fall in the rate of profit is a result and not a cause of the crisis. That a fall in the rate of profit is not a *sufficient* condition for crisis was a commonplace in the Marxist tradition, but appears to have been less well recognised in the contemporary debates. To clarify this point it is worth returning to the traditional arguments.

The Falling Rate of Profit in the Marxist Tradition

The traditional conception of the law of the tendency for the rate of profit to fall was that this law described a long-run secular tendency of accumulation, but could not provide the basis of a theory of crisis. The reason for this was simple. A crisis represents a breakdown in the circulation of capital, as capital is withdrawn from circulation and immobilised in the money form. A mere fall in the rate of profit is not a sufficient condition for the withdrawal of capital from circulation, since it will continue to be worth investing so long as the marginal rate of profit is positive. Thus it was believed that the condition for a crisis is not a fall in the *rate* of profit, but a fall in the *mass* of profit.[3] However the tendency for the rate of profit to fall is associated not with a fall, but with a rise in the mass of profit, the rate of profit falling only because the organic composition of capital rises more rapidly than the rate of exploitation. This argument was a commonplace in the orthodox Marxist tradition, which is why the theory of the falling rate of profit, whatever other role it may have played, was not used as the basis of the theory of crisis.[4]

This is not say that a fall in the rate of profit cannot lead to a crisis, but only that such a fall cannot explain the *necessity* of crisis. If a crisis does arise it is because of a breakdown in the credit system, either for the purely contingent reason that speculative and rentier investments provide more profitable outlets than do productive investments, or because of disproportionalities which arise as a result of the changing organic composition, which implies a change in the balance between Departments I and II which competition is, for some unspecified reason, unable to rectify.[5] While a fall in the rate of profit might make a crisis more likely, it is by no means a necessary condition for such a crisis. In reality the explanation for the necessity of crisis lies not in the fall in the rate of profit, but in the relationship between the disproportionalities associated with changes in the organic composition of capital and the expansion of

[3] Even a fall in the mass of profits is not a *sufficient* condition for crisis. Those who adopted the theory generally followed Marx's discussion in Chapter 15 of Volume III of *Capital*, where a fall in the mass of profit leads to an intensification of the competitive struggle, precipitating a chain of bankruptcies. A fall in the mass of profit is neither a necessary nor a sufficient condition for such a crisis, any more than is a fall in the rate of profit.

[4] The first reference to a falling rate of profit theory of crisis I have been able to discover is a 1924 article by Preiser, where the fall in the rate of profit was based on the exhaustion of the reserve army of labour. This theory was also proposed by Strachey and Dobb in the 1930s, still with a recognition that what had to be explained was a fall in the mass and not merely the rate of profit, and later developed by the Uno School. Grossmann's 1929 book has been acclaimed as the progenitor of the modern falling rate of profit theory of crisis, although Sweezy characterises Grossmann's theory as a shortage of surplus value theory. (Sweezy himself discussed the falling rate of profit as a possible theory of crisis, only to reject it.) This is also true of Grossmann's follower Mattick, whose *Marx and Keynes* (1969) launched the modern theory.

[5] This latter is the source of crisis for the Uno School, represented by Itoh, for Aglietta's regime of 'intensive accumulation', and for John Weeks (*Capital and Exploitation* and *Capital and Class*, 16, 1982), for all of whom disproportionalities are intensified by the inflation of credit. In all these cases the explanatory relationship between the disproportionality and the expansion of credit is not clear.

credit. The theory of the falling rate of profit, no less than the theory of underconsumption, is merely a special case of an implicit, but undeveloped, theory of disproportionality, associated with a quasi-Keynesian or quasi-Hayekian theory of credit.

The modern theory of the falling rate of profit has authenticated its Marxist credentials, against both bourgeois and Marxist traditions, by quoting Marx's oft-repeated critique of the bourgeois economists, whose focus on the form of exchange enabled them only to grasp the formal possibility of crisis, from which they concluded that crises were purely contingent phenomena. Against this Marx argued that to understand the necessity of crises it is necessary to start from 'the general conditions of capitalist production' (TSV, II, 515).

However this invocation of Marx's critique of the economists ignores Marx's equally frequent insistence that the necessity of crisis could not be found in the immediate conditions of production either, since the very existence of capitalist production presupposes the development of the forces and relations of production which guarantees the possibility of the production of surplus value (e.g. *Capital*, 3, 351--2; *TSV*, II, 513; *Grundrisse*, 410--11).\footnote{This is why Marx had to have recourse to the exhaustion of the reserve army of labour when he discussed the 'absolute' overaccumulation of capital in Vol. III Chap. 15 of *Capital* in which there is a fall in the mass of profit, leading to intensified competition and a crisis. However he discussed this as a purely hypothetical case, based on 'the most extreme assumptions that might be made' (p. 364), and one which conflicts with his earlier characterisation of the historical tendencies of accumulation, which are to create an 'increased and even excessive working population available for exploitation' and 'a growing absolute mass of profit' (*Capital*, III, 325). When Marx considers a cyclical rise in wages, against the secular trend of relative pauperisation, in his discussion of the 'general law' in *Capital* volume I he makes no mention of a rise in wages provoking a *crisis*. The immediate implication is that the source of crisis no more lies in the immediate process of production than in the sphere of exchange, but can only lie in the contradictory relation between the two, within the process of capitalist production as a whole. In this sense we come back once again to the conclusion that the only possible foundations for a theory of the necessity of crisis is a theory of disproportionality, as the basis of a theory of crises not as crises of profitability, but as crises of realisation.

This conclusion is by no means contradicted by Marx's description of the law of the falling rate of profit as 'the most important law of modern political economy' (*Grundrisse*, 748), 'around whose solution the whole of political economy since Adam Smith revolves' (*Capital*, III, 319), nor by his clear understanding that cyclical crises could provide a means by which the devaluation of capital and the augmenting of the reserve army could restore the rate of profit. For Marx, as for the whole of the Marxist tradition, the law of the tendency for the rate of profit to fall was a *secular* law, and so was by no means inconsistent with an 'over-production' theory of crisis. In the *Grundrisse*, *Theories of Surplus Value* and Vols I and III of *Capital* the importance of the theory of the falling rate of profit is that it *intensifies* the inherent contradictions of the capitalist mode of production, between the development of the forces of production expressed in the concentration and centralisation of capital, and the relative pauperisation of the mass of the population, expressed in the de-skilling of labour and the augmentation of the reserve army. This is partly because a fall in the rate of profit intensifies competitive pressure, but more fundamentally it is because a fall in the rate of profit is 'identical in meaning' (*Grundrisse*, p. 749) with the development of the productive forces, the decline in the proportion of capital laid out in wages, and the growing scale of capitalist production. Thus there is no inconsistency between the importance Marx attached to the secular law of the tendency for the rate of profit to fall and his view of crises as essentially crises of realisation, for the latter merely express the 'development of the law's internal contradictions' (*Capital*, III, pp. 349 – 55).[6]

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[6] Even Rosdolsky, a favourite authority of falling rate of profit theorists of crisis, belongs firmly to the orthodox tradition. There is very little discussion in the orthodox literature of the relation between the secular law and the theory of crisis: it was simply taken for granted that a lower rate of profit would increase the risk and severity of crisis. An exception is Wilson (1938), who argues that Marx had an eclectic theory of the trade cycle within a long run theory in which the combination of a falling *rate* of profit with a rising *mass* of profit implied a tendency to under-consumption/under-investment. The most rigorous exposition of the modern interpretation is Itoh's attempt to show that Marx replaced an early under-consumption theory of crisis with a mature falling rate of profit theory (based on over-accumulation with respect to labour). Although Wilson abandons most of Marx's central concepts, there is little doubt that his interpretation is much closer to what Marx actually wrote.

It seems clear that Marx did not conclude that the source of crisis lay in the immediate process of production, as opposed to the sphere of exchange, but that it lay in the contradictory relation between the two within the process of capitalist reproduction as a whole. And it was this relationship, and certainly not an exclusive focus on distribution and exchange, which marked the orthodox Marxist tradition. Perhaps it is worth looking a little more closely at our much-maligned forbears.

The Theory of Crisis in the Marxist Tradition

There is no doubt that the traditional Marxist theory of crisis was 'under-consumptionist', in the broadest sense of the term, and that such a theory is fully supported by the texts of Marx and Engels. However most Marxists followed Engels in sharply distinguishing the Marxist theory of 'over-production' from the crude under-consumptionism of Dühring and Lassalle, based on the 'iron law of wages'. In the bible of orthodox Marxism, *Anti-Dühring*, Engels argued that under-consumption is a 'thousand-year-old phenomenon', whereas crises arise only in the capitalist mode of production. Thus under-consumption is 'a pre-requisite condition of crises, and plays in them a role which has long been recognised. But it tells us just as little why crises exist today as why they did not exist before' (394). For Engels the source of crisis was not the absolute poverty of the masses, but the dynamic relationship between the development of the forces of production and the growth of consumption, based on the contradictory form of capitalist production, which led accumulation to run constantly ahead of the growth in demand for the means of consumption.

This theory of crisis had two great merits, which our contemporary theories have lacked. First, it was not based on the hypothetical abstraction of formal models, but was rooted in the historical tendencies of capitalist accumulation described by Marx in Volume I of *Capital*, and summarised in the 'general law' of capitalist accumulation, which expressed the contradiction between the tendency for capital to develop the productive forces without limit, on the one hand, and the tendency to restrict the consumption power of the mass of the population, by forcing down the value of labour power and expanding the reserve army of labour, on the other. Second, this meant that it had a conception of crisis not as an epochal event, marking a breakdown in the 'normal' course of accumulation, but as a tendency which is permanently inherent in the process of capital accumulation, as an ever-present aspect of the class struggle, which gave the theory an immediate and everyday political relevance (this did not mean that it was necessarily applied as a revolutionary force --- we need only compare Kautsky and Rosa Luxemburg). The theory of crisis did not serve, as Bernstein and subsequent critics argued, as the basis of a catastrophist vision of revolution, but as the explanation for the permanence of class struggle. The crisis itself did not mark the breakdown of a 'normal' pattern of accumulation, but only the most dramatic manifestation of the permanently contradictory and conflict-ridden tendencies of accumulation.

The weakness of the theory undoubtedly lay in its under-consumptionism. We don't need to rehearse all the arguments against under-consumptionism here. The most important argument for present purposes is that under-consumptionism is based on the 'forced abstraction' of consumption from the reproduction process of capital as a whole, seeing in 'final consumption' the 'ultimate' purpose of capitalist production, and the only secure basis for the realisation of surplus value. When we look at consumption in the context of the reproduction of capital it is clear that there is no such thing as 'final consumption'. Production and consumption are neither identical, as Say's law implied, nor divorced from one another, as a crude under-consumptionist would believe, but are 'moments of one process', 'members of a totality, distinctions within a unity' (*Grundrisse*, pp. 94, 99). This was essentially the argument used by Tugan-Baranowksy, in dismissing under-consumptionism on the basis of Marx's reproduction schemes, and which has subsequently become a commonplace of contemporary Marxism, whether based on the reproduction schemes or on bourgeois versions of general equilibrium theory.

The belief that under-consumptionism constituted a fatal flaw in the orthodox theory rests on the belief that under-consumption and over-production are 'opposite sides of the same coin' (Sweezy, p. 183), so that the latter falls with the former. However the complementarity of the two theories appears only on the basis of the 'forced abstraction' of production from consumption. Within the framework of the reproduction of capital as a whole the symmetry disappears. While the theory of under-consumption is undermined as the basis of a theory of the necessity of crisis, the theory of over-production becomes generalised, as an uneven tendency inherent in all branches of production, and so as the basis of a necessary tendency not to under-consumption, but to disproportionality. The rejection of under-consumptionism should lead us not to a one-sided focus on production, but to a theory of disproportionality based on the uneven development of the various branches of production.

Over-production, Capitalist Rationality, and the Social Forms of Capitalist Production

Disproportionality theories of crisis have tended to be rejected by revolutionary socialists, primarily on the grounds of their very close association with reformism and even with reaction. While under-consumptionist theories at least gave some class content to their reformism, in seeing higher wages as the means of resolving crises, disproportionality theories had no such implication, the resolution of crises being a matter of the centralised coordination of capitalist production on the basis of close cooperation between the state, the banks and the monopolies. Nevertheless we have seen that all crisis theories ultimately and inevitably turn out to be special cases of a disproportionality theory. Does this mean that crisis theory inevitably leads back to reformism?

The answer is surely no. The crucial issue is not that of the *source* of crises but of their *necessity*. The reformist implications of disproportionality theory arose not because the source of crisis was located in a tendency to disproportionality, but because such a tendency was regarded as the contingent result of the anarchy of the market. Thus the key to the Marxist theory of crisis is the explanation of the *necessary* tendency to disproportionality, a necessity inherent in the social form of capitalist production, and so a necessity which cannot be negated without negating capitalist social relations.

The orthodox Marxist response to Tugan's critique of underconsumptionism as no more than a special case of the theory of disproportionality was to insist that in the case of the relation between production and consumption disproportionality was not contingent, but necessary. Tugan's formalistic use of the reproduction schemes abstracted from the social relations and historical tendencies of capitalist production which underlay the inevitable tendency to over-production. Recognition that the disproportionality between 'production' and 'consumption' has no special status does not entail rejection of the orthodox critique of Tugan, but rather its generalisation. To see this we have to address a question which was largely taken for granted in the traditional texts: what is the foundation of the tendency to over-production?

It seems that the tendency to overproduction has been so taken for granted, both by Marx and by the Marxist tradition, that it has rarely been subjected to any rigorous examination. For most orthodox Marxists the tendency to overproduction was explained by the capitalist's blind and insatiable lust for profit, which is the subjective expression of the 'inner nature of capital', which constantly drives production beyond the limits of the market. However, if we focus on the subjectivity of the capitalist this lust for profit appears irrational. If the prospect of profit is the spur to the expansion of production, the anticipation of loss in the event of over-production should equally restrain the ambition of the capitalist. The implication would seem to be that the tendency to overproduction has no objective foundation, but rests only the subjective irrationality of the capitalist, and can only be the result of the subjective factors of foolhardiness or ignorance, which is the conclusion reached by bourgeois economists. The rational capitalist will anticipate the competitive pressure which will result from overproduction, and withdraw to a more profitable branch of production, so that supply in every branch of production adjusts itself to demand: the functional role of the market in capitalism is precisely to eliminate emergent disproportionalities.

Many Marxists have followed this logic and tried to explain the subjective irrationality of capitalists which culminates in the tendency to crisis. Thus Dobb (1925) originally explained overproduction in Marshallian terms, as an expression of a collective wave of optimism. It can equally be explained in Keynesian terms, as based on erroneous expectations, or in Schumpeterian terms, as induced by the opportunities for surplus profit offered by innovations, or in Hayekian terms, as induced by unwarranted credit expansion. But for all such theories the source of instability is not the objective irrationality of capitalism, but the subjective irrationality of capitalists, who are induced by a temporary increase in anticipated profits to expand production far beyond the limits of the market, and to sustain such overproduction to the point of crisis. While such subjective irrationality is certainly a possible source of crisis, it does not provide any objective or necessary foundations for the crisis tendencies of accumulation.[7]

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[7] Rosa Luxemburg may not have provided a very satisfactory answer, but she was one of the few Marxists who was aware of the problem. John Eaton (Steve Boddington), *Political Economy*, Lawrence and Wishart, 1949, p. 154 stressed the pressure to innovate as the source of over-production and

More recently attempts have been made to provide some objective foundations for the tendency to disproportionality by explaining it in terms of the barriers to the regulatory role of the market presented by the immobility of fixed capital. For example, for Itoh and Aglietta disproportionalities arise because of the failure of the market to adjust production to a change in the organic composition of capital, and are intensified by the attempt to stave off the crisis through the expansion of credit.[8] However these approaches do not resolve the problem. On the one hand, the explanation of the crisis remains the subjective irrationality of capitalists, in this case that of the monetary authorities, whose inflationary expansion of credit is unexplained. On the other hand, to explain the emergence of disproportionalities in terms of market imperfections implies that in the presence of 'perfect' markets, or appropriate 'modes of regulation' or 'social structures of accumulation', crises would not arise. The problem is to develop a theory of crisis which does not have to fall back on subjective irrationality or on historical contingency, but which can explain the necessity of crisis as an expression of the contradictory form of the social relations of capitalist production.

It should be clear by now that a theory of crisis cannot be based on any one moment of the process of capitalist reproduction, whether it be production, distribution or exchange, nor uniquely on either the subjective motivation of capitalists or the objective laws of motion of the capitalist mode of production. The theory of crisis can only be based on an analysis of the capitalist system of production and reproduction as a whole. The immediate source of the crisis is a breakdown in the relationship between 'production' and 'consumption', and in that sense a crisis is the result of over-production/under-consumption. This breakdown is itself an expression of the failure of the market to secure the co-ordination of production and consumption. But this failure is not a contingent breakdown in the 'normal' operation of the competitive market, because the market is not the rational instrument, depicted by the bourgeoisie, which serves to equilibrate supply and demand. The market is a social form of the relations of capitalist production as a moment in the circulation of capital, and so can only be understood within the context of the reproduction process of capital. This is the framework within which we have to explore the implications of the capitalist tendency to overproduction.

Overproduction, Competition and Class Struggle

The purpose of capitalist production is not consumption, but the expansion of value through the production and realisation of surplus-value. In the early stages of capitalist development the capitalist increased the production of surplus-value by extending the working day and forcing wages below the value of labour-power. However, such methods confronted the physiological barrier of the endurance of the worker and the social barrier of working class resistance. In mature capitalism the capitalist overcomes these barriers by revolutionising methods of production in order to increase the productivity of labour, so raising the rate of profit by reducing the cost of the means of production and the value of labour power. The result of these efforts is that the capitalists throw an increasing mass of commodities onto the market. However this increase in production has not been motivated by a desire to meet expanding demand, but by a desire to increase the production of surplus value.

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disproportionality, but failed to develop the analysis, reverting instead to a very crude under-consumptionism. Sweezy developed a more sophisticated version of underconsumptionism based on a Kaleckian theory of the stagnationary tendencies of monopoly capitalism, but this did not provide a theory of crisis.

[8] John Weeks (*Capital and Exploitation*, Princeton UP, 1981, and "Equilibrium, Uneven Development and the Tendency for the Rate of Profit to Fall", *Capital and Class*, 16, 1982) also focuses on fixed capital, developing a theory of crisis on the basis of the uneven development of the forces of production. Weeks interprets this, via the devaluation of fixed capital, as a falling rate of profit theory. However the devaluation of fixed capital is an imputed effect of the devaluation of commodity capital, which is in turn the result of the overproduction induced by the development of new methods of production, regardless of any tendency for the rate of profit to rise or fall. The source of crises is not, therefore, a fall in the average rate of profit, although this may or may not be the outcome, but the impact on the distribution of profits of the disproportionality created by the uneven development of the forces of production. Thus Weeks's theory is better seen within the framework of a theory of over-production than within that of a theory of the tendency for the rate of profit to fall, in which case it is close to the theory developed below.

The production of surplus value is achieved only by expanding the mass of commodities produced by a given mass of labour power. The more successful is the capitalist at overcoming the barriers to the production of an expanded value, the greater will be the increase in the mass of commodities produced. The fiercer is the competition between capitalists in a particular branch of production, the more the pressure to expand the production of surplus value will confront them as an external force. Nevertheless, if the capitalists are to realise their expanded capital in the form of money, they have to find purchasers for the expanded mass of commodities produced.

For political economy the capitalists anticipate this problem, and adapt the level of production to the limits of the market. However this is to take a purely formal and abstract view of capitalist competition, a view which abstracts from the historical dynamics of the capitalist mode of production. The capitalist does not simply take the conditions of production, or the extent of the market, as given, but rather confronts them as barriers to the production and realisation of surplus value, as barriers to be overcome by the revolutionising of the forces of production, the intensification of labour, the extension of the working day, and the expansion of the market. This is the source of the dynamism which is the historical justification for the capitalist mode of production, but whose contradictory character also describes capitalism's historical limits.

The drive to increase the production of surplus value, although imposed by capitalist competition, is not confined within the limits of the market, but is subject to its own laws, which determine the tendency to expand production *without regard for the limits of the market*. These laws are defined not by the subjective irrationality of the capitalist, but by the *uneven development of the forces of production* as capitalists struggle for a competitive advantage. To identify these laws more clearly we need to explore the historical dynamics of capitalist competition within the framework of the accumulation of capital.

The accumulation of capital, whether of capital-in-general or of capital in particular branches or departments of production, confronts a variety of natural, social and historical barriers. However these barriers do not confront individual capitals immediately, but only in the form of competition between particular capitals for raw materials, means of production, labour-power, capital, or for markets. However definite these barriers might be as limits to the accumulation of capital, they do not appear to individual capitals as such limits, but only as barriers presented by competition from other capitalists, barriers to be overcome by securing a competitive advantage by one means or another.

We can begin our examination of the accumulation of capital at any point in its circuit, remembering, as Marx always insisted, that each moment can only finally be understood within the circulation of capital as a whole. If we adopt the vantage point of the circuit of money capital we begin with a set of capitalists in a particular branch of production who have available a particular sum of money capital, realised from the previous sale of commodities and augmented by borrowing. Thus we presume that these capitalists have successfully realised their commodity capital at least at an average rate of profit. These capitalists will lay out their expanded money capital to buy more labour power and means of production, which again we presume they find available in the market as the product of the previous circuit of capital. The capitalists then set the labour power to work to produce an expanded mass of value, which is embodied in an expanded mass of commodities. Having overcome the barriers to the production of surplus value the capitalists confront the final barrier of realising their expanded value in the face of a limited market. The crucial question we have to address is that of the typical (i.e. rational) response of capitalists to this situation, and of the implications of this response for the next round in the circuit of capital. Since we cannot presume that capitalists produce under identical conditions we have to consider the different responses of different capitalists.

The more advanced capitalist will not confront the limited market as a barrier to his own ambition since his more advanced methods of production will offer him the prospect of earning a surplus profit. If the market is growing rapidly he may be able to dispose of his increased production at prevailing market prices, earning a surplus profit which will in turn stimulate the even more rapid growth of production. But even when the growth of production runs ahead of the growth of the market the more advanced capitalist will have no reason to restrain his ambition, since his reduced costs of production will enable him to reduce his selling price to increase market share, while still earning a surplus profit. Thus the immediate response of the most advanced capitalists to the emergence of over-production is to expand production still further, and to do so as rapidly as possible in order to capitalise on favourable market opportunities while they still persist.

Before long the over-production of commodities in a particular branch of production may lead to intensified competition. However we cannot presume that intensified competition will check the tendency to over-production, for ‘competition’ is no more than the manifestation of such over-production in the sphere of exchange. In this sense competition is merely the everyday manifestation of the tendency to the overproduction of commodities, the threat of extinction which confronts every capitalist, of which crises are only the most dramatic expression. This, rather than some metaphysical essentialism, is surely what Marx meant when he wrote: ‘Conceptually, *competition* is nothing other than the inner *nature of capital*, its essential character, appearing in and realised as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity … The simple concept of capital has to contain its civilising tendencies etc *in themselves*; they must not, as in the economics books until now, appear merely as external consequences. Likewise the contradictions which are later released, demonstrated as already latent within it.’ (*Grundrisse*, p. 414).

Competition presses hardest on the more backward capitalists, who are unable to realise their expanded capital at the prevailing rate of profit. However the less successful capitalists are most unlikely to respond to such competition by immediately liquidating their capital to restore the balance between supply and demand, not least because a substantial proportion of their capital will be immobilised in stocks, fixed capital and work in progress and so can only be liquidated gradually. Moreover, if they cut their prices they will immediately have to revalue their stocks and their fixed capital, leading to a sharp fall in the rate of profit and a deterioration in their credit-worthiness. The immediate response of the less successful capitalists to increased competition will be to maintain their selling prices, so that they can continue to show a paper profit, expanding credit to continue in production, while they seek to dispose of their stocks through aggressive marketing and hope that their setbacks are only temporary. Thus, rather than tamely restricting their ambition to the barrier of the limited market even the least successful capitalists are likely to confront the market as a barrier to be overcome.

The attempt to overcome the barrier of the limited market, imposed through the pressure of competition, determines the tendency for capital to develop new needs and to expand the market on a world scale. However the expansion of the market does not do anything to contain the tendency to the overaccumulation of capital and the overproduction of commodities, but rather removes the barriers to such tendencies, barriers which reappear as soon as production once more runs ahead of the limits of the market.

If the capitalists are unable to overcome the barrier of the market prices will soon start to fall, increasing the pressure on the less efficient producers. However the fall in prices will still not lead to the immediate contraction of production to the limits of the market. Some capitalists may try to liquidate their capital, continuing in production so long as they can cover their current costs, meanwhile seeking to reduce those costs by cutting wages, extending the working day and intensifying labour in the hope of weathering the storm. Others may seek to reduce their costs by introducing more advanced methods of production in their turn, further contributing to the escalating overproduction of commodities. Meanwhile the most advanced capitalists, still able to earn a surplus profit despite falling prices, will increase their investment, intensify labour, and extend the working day in the hope of capitalising on their good fortune before events take an unfavourable turn. Thus the tendency to overproduction, through increasing pressure on individual capitals, underlies the tendency to revolutionise the forces of production, to intensify labour and to extend the working day, and so also the permanence of the class struggle at the point of production.

The very success of capitalists in improving the conditions for the realisation of surplus value by creating new needs and opening up new markets and in improving the conditions for the production of surplus value by forcing down wages, intensifying labour and revolutionising the forces of production merely intensifies the tendency to the overaccumulation of capital, the overproduction of commodities and the pressure of competition. The longer the gestation period of fixed investment, and the longer the period of production and circulation, the greater the extent to which productive capacity can continue to expand without confronting the barrier of the market. But sooner or later that barrier will reappear in the form of a limit. Stocks of commodities build up in wharehouses, plant and machinery lies idle, marketing expenses escalate, credit mounts, and prices continue to fall. As prices fall, paper profits will disappear and sources of credit dry up. As capitalists unload stocks to ease their cash flow prices will collapse and even the most advanced capitals may see their profits evaporate, while the weaker capitals will be forced into liquidation. Thus the threat always immanent in competition comes into the open as competitive pressure gives way to open crisis, and over-production is removed through the massive devaluation of capital, destruction of productive capacity and the redundancy of labour.

In the crisis it will not necessarily be the least efficient producers who are faced with bankruptcy. The conservative capitalist, using antiquated equipment, but carrying a very small burden of debt, minimising stocks by producing to order, and relying on cash transactions, will be well able to weather the storm, while the most advanced capitalist, with high fixed costs and a heavy burden of debt may be one of the first to collapse. Nevertheless bankruptcy will free the assets of the latter from the burden of debt, providing the means to restore profitability. Thus the restructuring of production in the wake of the crisis also involves a restructuring of the property relations within the capitalist class, the centralisation and socialisation of capital and the concentration of the means of production providing the basis for renewed accumulation at a higher technical and social level.

The tendency for the accumulation of capital to take the form of overaccumulation and crisis is not a pathological tendency, it is the normal form of capitalist accumulation in all branches and departments of social production at all times. It is a tendency which derives primarily from the uneven development of the forces of production and, more generally, of the conditions of the production and circulation of commodities, which ensures that opportunities for surplus profit are not restricted by the limits of the market, so that the tendency is for capitalists always to develop production beyond those limits. The tendency to over-production underlies the threat of crisis which hangs over every capitalist, and which appears immediately in the pressure of competition. In this respect it is the most fundamental tendency of the capitalist mode of production, for it underlies the permanently antagonistic form of the social relations of capitalist production as the capitalist is compelled to hold down wages, to intensify labour and to extend the working day. However it also underlies the tendency for capital to develop the forces of production, to expand the world market, and to create new needs. Thus, to abstract from the tendency to overproduction, from the dynamic and destructive process through which 'revolutions in value' take place, is to abstract not only from the crisis-tendencies inherent in capital accumulation, but also from the progressive tendencies of the capitalist mode of production.

Although the tendency to over-production and crisis is the essential form of capitalist accumulation, it is unevenly developed between different branches of production. On the one hand, the conditions of production differ from one branch of production to another. The source of the overaccumulation of capital is provided by opportunities for surplus profit, on the one hand, and barriers to the liquidation of backward capitals, on the other. Thus, for example, the tendency to the over-accumulation of capital would be expected to be greater in those branches of production in which the forces of production are developing most rapidly, in which there is the greatest geographical unevenness in wages and in the conditions of production, in which there is a high degree of fixed investment and a long period of production and circulation of capital. On the other hand, the various branches of production are interdependent, so that rapid accumulation, stagnation or decline in one branch of production transmits itself to others through its impact on the supply and demand for means of production and subsistance and on the stability and confidence of the financial system. Productive capacity in some branches of production may develop far beyond the limits of the market, while in others natural or social limits might present barriers to the expansion of production so that productive capacity, for all the efforts of the capitalists to expand it, falls short of the growing demands of the market. Thus the tendency to overproduction appears in the form of the uneven development of the various branches of production.

Such a tendency to uneven development has no place within the economic analysis of the bourgeoisie, for it is immediately neutralised by the tendency to the equalisation of the rate of profit, just as competition within particular branches of production immediately confines production within the limits of the market. However the bourgeois analysis of competition, both within and between branches of production, rests on the absurd assumption that conditions of production and circulation are instantaneously optimised, so that the only source of variations in profit is an accidental imbalance between supply and demand. Once this ridiculous assumption is abandoned, the arguments about competition within a particular branch of production developed above apply, *a fortiori*, to the movement of capital between branches. On the one hand, as already noted, the bulk of capital is committed to the particular branch of production in which it is invested, so that the primary way in which less successful capitals seek to restore the rate of profit is by transforming the conditions of production and circulation within the branch of production to which they are already committed, rather than liquidating their operations and transferring to a new branch of production. This implies that movements of capital between branches of production are predominantly confined to the redistribution of realised surplus value through the credit and financial systems. On the other hand, the freer availability of credit and finance may ease the mobility of capital between branches of production but, as we will see below, may intensify, rather than counter-acting, the tendency to the overaccumulation and uneven development of capital. In general, the greatest opportunities for surplus profit arise not from unexpected shortfalls in supply, but from the introduction of more advanced methods of production, while the greatest demand for credit comes not from the most profitable enterprises, but from those faced with the threat of liquidation. Thus the mobility of capital between branches of production may, far from containing the tendency to the overaccumulation and uneven development of capital, give that tendency free rein.

We can now see more clearly why overproduction is not merely the other side of the coin of underconsumption. The tendency to over-production is the driving force of capitalist accumulation in all branches of production. However this tendency does not appear in the form of a tendency to the general overproduction of commodities, but in the form of the disproportional development of the various branches of production. There is no inherent reason why disproportionality should take the form of the relative over-production of the workers' means of subsistence, even if the workers' demand for means of consumption is stagnating, since the specific form of disproportionality is not determined primarily by the disproportional growth of demand for particular commodities, but by the disproportional growth of supply, determined by the uneven development of the forces of production.

There is no doubt that the primary motivation of the development of the forces of production is to economise on living labour, so that, other things being equal, the market for the workers' means of subsistence might be expected to grow less rapidly than that for the elements of constant capital. However, even if this tendency is not modified by other circumstances, such as economy in the production and use of the elements of constant capital, this is by no means sufficient to establish a tendency to the overproduction of means of subsistence, because the tendency to over-production is not derived from a consideration of the static relationship between supply and demand, but from the dynamic relationship between the various branches of production. The extent of the overaccumulation of capital in a particular branch of production has nothing to do with the growth of a mythical 'final market', but is determined primarily by the conditions of production. The growth in the supply of particular commodities is determined in the first instance by the conditions of production in the branch of production in question. The growth of the market for the products of that branch is determined in the first instance by the conditions of production in other branches and by the inter-relations between those branches of production.

The rate of growth of the market has only a secondary and equivocal impact on the tendency to overproduction in a particular branch of production. A rapidly growing market may absorb a growing product and facilitate the smooth liquidation of backward capitals, but it will equally increase the opportunities for earning a surplus profit and so increase the tendency to over-production. A slowly growing market will restrict the opportunities for surplus profit, and so the stimulus to overaccumulation, but it may enforce the rapid liquidation of backward capitalists, with potentially disruptive results. Moreover, while a rapidly growing market provides the greatest positive incentive to innovation, by offering the greatest opportunities for surplus profit, a slowly growing market leads to the greatest competitive pressure to innovate to stave off the threat of liquidation. There is no way in which theory can predict which of these factors will predominate.[9]

Overaccumulation, the contradictions of capitalist production, and the necessity of crisis

We can now see that the disproportionalities which Tugan correctly identified as the source of general crises, are not merely the contingent result of the 'anarchy of the market', but are the necessary result of the social form of capitalist production, the expression of the tendency to the overproduction of commodities. We can also see that the tendency to over-production is neither a pathology of the market, nor an expression of the subjective irrationality of capitalists, as they respond to temporary shortages by overexpanding supply. It is inherent in the social form of capitalist production as the production of surplus

[9] Different evaluations of the relationship between market constraints and opportunities, on the one hand, and the course of accumulation, on the other, lay at the heart of the debate between 'Keynesians' and 'monetarists'. The experience of the 'Keynesian' and'monetarist' experiments over the past three decades would seem to indicate that the rate of growth of the market affects the rate of accumulation, but has little impact on the tendency to the overaccumulation and uneven development of capital since it has little impact on the conditions of production.

value, the expression of the constant tendency for capital to revolutionise the forces of production, which is both the driving force of, and historical justification for, the capitalist mode of production.

The tendency to develop the forces of production without limit comes into conflict with the social relations of capitalist production as the capitalist confronts the market as a barrier to the realisation of his expanded capital, a barrier which the capitalist seeks to overcome by developing new needs, by expanding the market on a world scale, by intensifying exploitation and by further revolutionising methods of production. Nevertheless at a certain point this barrier becomes a limit, a limit to which capital adapts not by the smooth adjustment of supply to demand, but through revolutions in value which provoke the devaluation of capital, destruction of productive capacity, and redundancy of labour. When the reproduction of capital becomes a barrier to the further development of the productive powers of social labour, capitalism loses the last remnants of its claim to a progressive historical role.

The crisis-tendencies inherent in the social form of capitalist production only come to the surface in a crisis if capital fails to overcome the barriers to accumulation. It is in this sense that a crisis is only the surface manifestation of the inherent contradictions of capital. Such a crisis may be confined to a particular branch of production, which may be resolved by the liquidation of capitals and destruction of productive capacity within that branch, without having widespread implications. On the other hand, a crisis may become generalised, in which case the tendency to overaccumulation appears in the form of generalised overproduction and a general crisis.

However it is by no means the case that the contradictions and crisis-tendencies of accumulation remain latent until the fateful day of general crisis. The tendency for the accumulation of capital and the development of the productive forces to take the form of overaccumulation and crisis is the essential form of accumulation in all branches of production at all times, whose permanent manifestation is the class struggle over the production of surplus value, and the competitive struggle over its realisation, as capitalists seek to overcome the social and natural barriers to accumulation inherent in the social form of capitalist production. The 'necessity of crisis' is not, therefore, a matter of the inevitability of capitalist breakdown, but of the permanence of these class and competitive struggles, on the one hand, and of the regular devaluation of capital and destruction of productive capacity, on the other.

Whether or not capital is able to overcome the barriers to its continued reproduction cannot be predicted in advance, since it depends on the outcome of concrete historical struggles, conducted in specific social, institutional and technological conditions. By the same token, the failure of capitalism to overcome these barriers, although conditioned by the laws of motion of the capitalist mode of production, is not a mere 'economic crisis', expressing the working of economic laws, but is a social crisis, a crisis of the struggle over the reproduction of capitalist social relations of production.

The Overaccumulation of Capital, Credit and the Theory of Crisis

The 'necessity of crisis' is inherent in the social form of capitalist accumulation, as the inevitable counterpart to the dynamism of the capitalist mode of production. However the permanence of the crisis-tendencies inherent in accumulation does not imply that such tendencies will necessarily be realised in the form of a general crisis of overaccumulation. To understand the conditions for such a general crisis we have to look more closely at the conditions for the sustained accumulation of capital, and in particular at the role of credit in the accumulation of capital as a whole.

The sustained accumulation of capital depends on the ability of capital to suspend the contradiction inherent in the social form of capitalist production. On the one hand, the dynamism of capitalist accumulation derives from the tendency to expand production in the more dynamic branches of production without regard to the limits of the market. On the other hand, the barrier of the market is the form in which the proportional requirements of expanded reproduction confront particular capitalists, so that sustained accumulation depends on confining the development of the forces of production within the limits of the market.

Credit is the means by which capital suspends this contradiction. On the one hand, the availability of credit frees the capitalist from the limits of the market by freeing him from the need to realise his capital in the money form. On the other hand, the limits to the availability of credit define the limits of this freedom.

However credit does not remove the barriers to accumulation. Thus it can only *suspend* the contradiction inherent in the capitalist mode of production, it cannot *resolve* it. On the one hand, the expansion of credit allows capital the time to remove the barriers to accumulation by mobilising the counter-tendencies to the overaccumulation and uneven development of capital. On the other hand, by freeing capital from the discipline of the market the expansion of credit frees capital from the immediate threat of extinction which would otherwise compel it to remove those barriers. Let us look more closely at the role of credit in the dynamics of accumulation.

The barriers to accumulation inherent in the contradictory form of capitalist production do not appear immediately to the individual capitalist. They confront the capitalist in the form of the limited availability of money, whether in the hands of his customers to purchase his commodities, or in his own hands to renew accumulation. Credit provides the means of overcoming these barriers. 'The entire *credit system*, and the over-trading, over-speculation etc connected with it, rests on the necessity of expanding and leaping over the barrier to circulation and the sphere of exchange' (*Grundrisse*, p. 416).

In the boom credit appears to have the magical power of suspending altogether the barriers to the accumulation of capital, providing finance for new ventures, and sustaining unprofitable capitalists through periods of difficulty. The only limit to accumulation appears to be the availability of credit. As the boom gathers momentum the ready availability of credit, and the negotiability of credit money, reduces the demand for cash, so that banks are able to reduce their cash ratios and continue to feed the boom by expanding credit. As capital overcomes the barriers to accumulation debts are regularly repaid, a mood of optimism prevails, and credit becomes cheap and freely available.

In suspending the barriers to accumulation, the expansion of credit gives free rein to the tendency to the overaccumulation and uneven development of capital. At first the over-production of commodities in particular branches of production can be absorbed by the expansion of credit and by the liquidation of petty producers and smaller capitalists, who have limited access to credit and whose failure puts little pressure on the financial system. However the expansion of credit will stimulate the continued overaccumulation and uneven development of capital, further inflating the demand for credit. Meanwhile rising prices for the products of the less dynamic branches of production, and perhaps rising wages too, put further pressure on the profits of the capitalists in the overexpanded branches of production. The continued expansion of credit can relieve this pressure on profits, but only by fuelling inflation. Rising prices may sustain accumulation by eroding wages, inflating the paper profits of hard-pressed capitals, and devaluing money capital to the benefit of productive capital. However, as the unrestrained growth of credit neutralises the barrier of the market, the uneven development of the various branches of production will increase, the pressure on weaker capitalists will grow, and inflation will accelerate.

Eventually the boom must break as the expansion of credit reaches its limits. The event which precipitates the crash may be remote from the underlying cause of the crisis, and may be apparently insignificant. Whatever triggers the crash, it will gain momentum as the contraction of credit precipitates defaults that spread through the financial and productive system in a destructive spiral. In the crisis the overaccumulation of capital suddenly appears in the form of a mass of worthless debt and an enormous over-production of commodities, leading to the massive devaluation of productive capital and destruction of productive capacity, and an enormous increase in the reserve army of labour, in a cumulative spiral which will only be checked when the conditions for profitable accumulation have been restored.

Money, Credit and the Regulation of Accumulation

The cycle of overaccumulation and crisis outlined above has been familiar to economists for over two hundred years. However the source of the cyclical form of accumulation in the inherent contradictions of the capitalist mode of production is not so obvious. For bourgeois economics the cycle of boom and slump has always appeared to be a monetary phenomenon, whose ultimate causes are psychological.

The boom has been stimulated by the expansion of credit, the crash provoked by its contraction. The over-accumulation of capital in the boom appears to have been the result of the over-enthusiasm of capitalists caught up by a psychological wave of optimism. This optimism was shared by the bankers, whose over-expansion of credit fed the boom, and whose injudicious judgements permitted the speculative excesses and fradulent projects whose collapse precipitated the crisis. The severity of the crisis and the depth of the depression appear equally to be the result of the psychology of the capitalists. An irrational 'loss of confidence' leads capitalists to withdraw their money from circulation as productive capital in search of a more secure haven, while the new-found prudence of the bankers inhibits them from extending credit for all but the soundest ventures.

This gives rise to the illusion that an appropriate monetary policy can overcome the cyclical form of accumulation by curbing the over-expansion of credit in the boom, and by lending freely in the face of the crisis. This illusion persists, despite the fact that the monetary authorities have singularly failed to achieve such a miracle cure, because it appears that every such failure can be attributed to the 'irresponsibility' of the authorities, who allow themselves to be caught up in the psychology of the bankers or, even worse, to be swayed by the inflationary ambitions of populist politicians. However the expansion and contraction of credit is not a matter of the whim of bankers or the irresponsibility of the monetary authorities, but expresses the contradiction between the tendency for capital to develop the productive forces without limit, and the need to confine production within the limits of the expanded reproduction of capital.

The state, in the first instance through its fiscal and monetary policies, can clearly have an impact on the course of accumulation, and these policies are accordingly the object of class and political struggles. However, while different regulatory regimes will have a different impact on the course of accumulation, they cannot overcome the contradictory form of accumulation, but can merely reinforce one pole or the other of the contradiction. A restrictive credit regime, which confined accumulation within the limits of the market, would deny capital the means and opportunity to overcome the barriers to accumulation by improving methods of production, opening up new sources of supply and developing new markets, so that every barrier would stop accumulation in its tracks. A liberal credit regime would free capital from the barrier of the market, and so stimulate accumulation, but could not in itself guarantee that capital would overcome that barrier, so freeing also the tendency to overaccumulation and uneven development with the attendant risk of crisis and collapse. Thus the twists and turns of state intervention in the regulation of accumulation can only be understood on the basis of a theory of the contradictory foundations and the crisis tendencies of accumulation, on the one hand, and a theory of the form of the capitalist state, on the other. But that is another story.[10]

Conclusion

The theory of capitalist production establishes the tendency for accumulation to take the form of overaccumulation and crisis. This tendency is manifested in the everyday reality of capitalist competition and the class struggle through which capital seeks to overcome the barriers to accumulation, and so to avert the ever-present threat of a generalised crisis. The necessity of crisis for Marxism is not the necessity of a terminal collapse, it is the permanent necessity of class struggle. The contradictions of capitalism do not lie dormant until the fateful day of general crisis, they present a permanent barrier to the realisation of the material and social aspirations of the working class, individually and as a whole. While this barrier appears immediately in the form of the individual capitalist, behind whom lies the pressure of capitalist competition, its ultimate foundation is the capitalist mode of production itself.

The theory of overaccumulation and crisis describes the most general form of accumulation as the struggle to secure the social and material reproduction of the capitalist mode of production. However the particular forms in which the tendency to overaccumulation manifests itself cannot be predicted theoretically, since they depend on the particular, historically given, social forms in which the social relations of capitalist production are institutionalised and on the development of the struggles which inevitably characterise those relations.

While the tendency to crisis is a permanent and necessary feature of the capitalist mode of production, the theory of crisis cannot identify one particular cause as underlying crises, for every crisis is historically specific. In this sense we should endorse Dobb's observation that we should regard crises 'not as the inevitable product of any one particular form (or aspect) in which the essential contradiction of capitalism appears (that between the developing forces of production and profitability for capital), but rather as an expression of this basic contradiction which may manifest itself in a variety of particular forms' (Dobb, 1958, cit., pp. 51--2).

Underconsumption, the class struggle over the production and distribution of surplus value, overaccumulation with respect to labour power, or the law of the tendency for the rate of profit to fall, all describe barriers to accumulation which capital has to struggle to overcome if it is to secure its social reproduction, and all describe potential sources of crisis. But to focus on one or other of these aspects as the unique cause of crises is to fetishise one form of appearance of the underlying contradiction of the capitalist mode of production, to present it as a mechanical economic law, and so to divorce it from the historical tendencies of capitalist development and from the class struggle through which such tendencies are driven forward.

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[10] I have outlined this story in my recent book *Keynesianism, Monetarism and the Crisis of the State*, Edward Elgar, Aldershot and Gower, Vermont, 1988.