The Marxist Theory of Overaccumulation and Crisis

Simon Clarke

In this paper I intend to contrast the 'falling rate of profit' crisis theories of the 1970s with the 'underconsumptionism' of the orthodox Marxist tradition. The central argument is that in rejecting traditional underconsumptionist 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, which follows the traditional theory in seeing crises not as epochal events but as expressions of the permanent tendencies of capitalist accumulation.

The background to the paper is my recent book, *Keynesianism, Monetarism and the Crisis of the State* (Clarke, 1988a), in which analysed the development of capitalism on the basis of a version of the theory of overaccumulation and crisis which is proposed here. However in the book this theory is developed in relation to the historical analysis, without reference to either traditional or contemporary debates. The purpose of this paper is to draw out the theoretical significance of the argument as the basis of a re- evaluation of the Marxist tradition. The issue is of the highest importance as erstwhile Marxists, in both East and West, fall victim once more to the 'reformist illusion' that the negative aspects of capitalism can be separated from the positive, that the dynamism of capitalism can be separated from its crisis tendencies, that capitalist prosperity can be separated from capitalist immiseration.

1 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' focussing on the wages struggle (Glyn and Sutcliffe, 1972; Boddy and Crotty, 1975), 'labour process' theorists focussing on the struggle over production (Bell, 1977). 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 (Mattick, 1969; Yaffe, 1972; Cogoy, 1972, 1973a, 1973b), or indirectly, as a result of the exhaustion of the reserve army of labour (Itoh, 1980, 1988).[1]

All these theories, despite their differences, were based on a rejection of approaches which saw barriers to realisation as the source of crises, which were associated with the 'underconsumptionism' which had supposedly dominated the orthodox Marxist tradition. Politically the reasons for this rejection were clear: underconsumptionism had become associated with a Keynesian reformist politics, which 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. Theoretically this led to 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' (Marx, *Theories of Surplus Value*, II, 515).

This insistence on the primacy of production tended to be implicitly 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 the 1960s and early 1970s, but which was already becoming out-dated by the mid 1970s.[2]

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. In other words, whereas for the orthodox Marxist tradition a fall in the rate of profit was only a *result* of a crisis of realisation, 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 focus on the fall in the rate of profit, crisis theory was formulated at the level of capital-in-general, in abstraction from any problems of realisation, 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. 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. For falling rate of profit theorists this inevitability was inscribed in the technology of capitalist production. For the 'neo-Ricardian' and 'labour process' theorists it derived from the inevitability of class struggle. In ei-

[1]Some writers adopted several theories, corresponding to different stages in the development of capitalism (e.g. M. Aglietta, 1979; E.O. Wright, 1977).

[2]I have discussed this in relation to the theory of value in Clarke (1980).

ther case the 'proof' of the inevitability of crisis depended on more or less arbitrary assumptions, so that the tendency to 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. Moreover, for all these theories the resolution of crisis was a simple matter, wage 'restraint' and the transformation of work practices providing the means of restoring the rate of profit and so the conditions for renewed accumulation. 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.

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 underconsumption 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.

2 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 reproduction process 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 there are investment opportunities which offer the prospect of a positive rate of profit. It was widely believed that this implied 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.

The existence of a positive rate of profit, and so a growing mass of profit, is guaranteed by the conditions of capitalist production, which presupposes the development of the forces and relations of production which guarantees the possibility of production of surplus value. The immediate implication is that the conditions of crisis cannot be discovered in the conditions of the immediate process of produc-

[3]This erroneous belief was based on a confusion between the 'marginal rate of profit' accruing to the total social capital, which is negative if the mass of surplus value falls, and the rate of profit appropriated by the 'marginal' capital, which is positive so long as there are any possibilities of profitable investment.

tion, but only in the process of capitalist reproduction as a whole, the contradictory unity of its various moments. The source of crisis lies neither in the 'anarchy of the market', nor in the immediate process of production, but in the relation between the two , in the '*circulation process* which is in itself also a *process of reproduction*' (*Theories of Surplus Value*, II, 513. C.f. *Capital*, III, 351- -2; *Grundrisse*, 410–11). More specifically for Marx, as for the whole of the orthodox Marxist tradition, the source of crisis lay in the contradiction between the capitalist tendency 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, on the other, which contradiction underpins the orthodox 'underconsumption' (or, more accurately, 'overproduction') theory of crisis.[4] The fall in the rate of profit is not a cause of the crisis, it is its expression, the expression of the failure of capital to realise the mass of surplus value which it has produced.

On the other hand, Marx did describe 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), and frequently referred to crises as a means by which the devaluation of capital could restore the rate of profit. He also discussed crises as a part of his discussion of the law of the tendency for the rate of profit to fall in both the *Grundrisse* and in volume III of *Capital*. This has led a number of commentators to argue that Marx held, either simultaneously (Tugan-Baranowsky) or successively (Itoh), both to an 'underconsumptionist' and to a falling rate of profit theory of crisis, an interpretation which cannot be rejected out of hand.

Marx clearly saw that a fall in the rate of profit was not a sufficient condition for crisis. Thus his discussions of crises associated with the falling rate of profit are based on a fall in the mass, and not merely the rate, of profit. The argument in the *Grundrisse* is confused because Marx seems at that time to have believed that a fall in the *rate* of profit could lead to a fall in the *mass* of profit. The argument in *Capital* is much clearer, where the discussion of crises is based on the 'absolute' overaccumulation of capital, in which a fall in the *mass* of surplus value implies that 'no further additional capital could be employed for the purpose of capitalist production' (*Capital*, III, 360–1). This circumstance cannot arise as a result of the increase in the organic composition of capital, but only through a fall in the rate of exploitation which results from the exhaustion of the reserve army. The consequent sharp and sudden fall in the rate of profit would unleash a competitive struggle, precipitating a chain of bankruptcies which would culminate in a general crisis. However Marx makes it quite clear that this is a discussion of a purely hypothetical case, based on 'the most extreme assumptions that might be made' (ibid., 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' (ibid., 325), so that 'nothing is more absurd, then, than to explain the fall in the rate of profit in terms of a rise in wage rates, even though this too might be an exceptional case' (ibid., 347).

This 'exceptional case' was made the basis of an 'overaccumulation with respect

[4]The relevant quotations are innumerable, and the traditional commentators are unanimous. For two otherwise sharply contrasted expositions see Sweezy, 1946, pp. 173–8, Rosdolsky, 1977, Part VII.

to labour-power' theory of crisis by Preiser (1924), who connected the argument to the 'law of the tendency for the rate of profit to fall'.[5] If the introduction of 'labour-saving' methods of production, which involve a rise in the organic composition of capital, threatened to lead to a fall in the rate of profit, then capitalists would continue to use existing methods of production and the demand for labour-power would rise at the same rate as the accumulation of capital. If this was greater than the rate of growth of the labouring population, the reserve army would eventually be exhausted, wages would rise and first the rate and then the mass of profits would fall.

The problem with this theory, apart from the fact that, as Marx noted, it is at variance with the most fundamental tendencies of capitalist accumulation, is that it is by no means clear why even a fall in the mass of profit should *necessarily* provoke a crisis, rather than a more or less smooth adjustment to a lower rate of profit. Thus when Marx considered the effect of a cyclical rise in wages, against the secular trend of relative pauperisation, in his discussion of the 'absolute general law' of accumulation in Vol. I of *Capital*, he made no mention of such a rise provoking a crisis, noting that the fall in the rate of profit 'can never reach the point at which it would threaten the system itself' (*Capital*, I, 619).

This is not to 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 not because of the fall in the rate of profit, but because of the failure of the system to adjust to the changing conditions of production, of which the fall in the rate of profit is the quantitative expression. This is why, in general, where falling rate of profit theorists spell out their theory of crisis, it turns out that it is essentially a disproportionality theory. 'Keynesian' versions of this theory focus on the disproportionality between consumption and investment within a Keynesian theory of the investment cycle, with the 'liquidity trap' preventing the adjustment to a lower rate of profit (Mage, 1963; Mandel, 1968). 'Hayekian' versions stress disproportionalities between departments I and II, which are intensified by the unwarranted expansion of credit (Mattick, 1969; Aglietta, 1979; Itoh, 1988; Clarke, 1988b, 1989). The crisis is then explained in terms of a breakdown in the credit system when the expansion of credit reaches its limits. Thus in reality the explanation for the necessity of crisis lies not in the fall in the rate of profit but in a quasi-Keynesian or quasi-Hayekian theory of credit, according to which the expansion of credit sustains or amplifies disproportionalities which have not been corrected by the market. However, a fall in the rate of profit, or a change in the organic composition of capital, is neither a necessary nor a sufficient condition for such a disproportionality crisis. Indeed the focus on the rate of profit diverts attention from the real problem faced by such theories, which is that of explaining why disproportionalities are not corrected by the market, and why the proper regulation of credit cannot avert the tendency to crisis. To explain this, however, they would have to provide a theory of competition and credit, rather than merely borrowing them from bourgeois economists.

Marx certainly regarded the 'law of the tendency for the rate of profit to fall' as important. But throughout his work it is interpreted not as a theory of crisis, but as a secular law, the importance of which is that it *intensifies* the inherent contra-

[5] The theory was also proposed in the 1930s by Strachey (1935) and Dobb (1937) in Britain and by Uno (1980) in Japan. It has more recently been further developed by Itoh (1988). I have criticised it more fully in Clarke (1989).

dictions 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, pushing the weaker capitals into bankruptcy, but more fundamentally it is because a fall in the rate of profit is 'identical in meaning' (*Grundrisse*, 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 espousal of an overproduction theory of crisis, for the latter is merely the 'development of the law's internal contradictions' (*Capital*, III, 349 – 55).

3 The Theory of Crisis in the Marxist Tradition

There is no doubt that the traditional Marxist theory of crisis was underconsumptionist, in the broad sense of the term. However most Marxists followed Engels in sharply distinguishing the Marxist theory of 'overproduction' from the crude underconsumptionism of Dühring and Lassalle, based on the 'iron law of wages'. In the bible of orthodox Marxism, *Anti-Dühring*, Engels argued that underconsumption is a 'thousand-year-old phenomenon', whereas crises arise only in the capitalist mode of production. Thus underconsumption 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). 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. Marxists repeatedly stressed, against underconsumptionists from Sismondi to the Russian populists, that capitalist production creates its own market, but they believed that this did not solve the problem of realisation, but only re- created it at a higher level: the tendency for capital constantly to diminish the portion of capital paid out in wages meant that it had to run ever faster in order to stand still.

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 displacing living labour, 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 everpresent 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 tendencies of accumulation. If there was to be a final 'breakdown', such a breakdown was not a rupture, but only the culmination of the historical process.

The weakness of the theory undoubtedly lay in its underconsumptionist tendencies. We don't need to rehearse all the arguments against underconsumptionism here. The most important argument for present purposes is that underconsumptionism 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 underconsumptionist would believe, but are 'moments of one process', 'members of a totality, distinctions within a unity' (*Grundrisse*, 94, 99). This was essentially the argument used by Tugan-Baranowksy, in dismissing underconsumptionism 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 underconsumptionism constituted a fatal flaw in the orthodox theory rests on the belief that underconsumption and overproduction are 'opposite sides of the same coin' (Sweezy, 1946, 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 underconsumption is undermined as the basis of a theory of the necessity of crisis, the theory of overproduction, based on the capitalist tendency to develop the productive forces without regard to the limits of the market, becomes generalised, as an uneven tendency inherent in all branches of production, and so as the basis of a necessary tendency not to underconsumption, but to disproportionality. The rejection of underconsumptionism 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.

4 Competition, the Anarchy of the Market and the Disproportionality Theory of Crisis

Disproportionality theories of crisis have tended to be rejected by revolutionary socialists, primarily on the grounds of their very close reformist associations. The source of disproportionality theory was Tugan-Baranowsky's 1893 criticism of underconsumptionism on the basis of Marx's reproduction schemes, which supposedly showed that disproportionalities were the only possible source of crises, and that such crises were not necessary but contingent, arising from the ignorance of capitalists as to the future development of the market, and intensified by the expansion of credit which sustained the disproportional expansion of production. This argument was seized on by the reformist wing of Social Democracy as an argument in favour of reforms which would overcome the 'anarchy of the market' through the centralised coordination of capitalist production.[6]

The orthodox response to Tugan was essentially to argue 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 abstracting from the social relations and historical tendencies of capitalist production which underlay the inevitable tendency to overproduction. This response clearly rests on the special status attributed to 'final' consumption. However, 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. The tendency for capital to expand production without regard to the limits of the market underlies the necessary tendency to disproportionality and so the necessity of crisis as the means of rectifying such disproportionalities. The key to the traditional theory of crisis lies not in the tendency to underconsumption, but in the tendency to overproduction. To assess this theory we have to address a question which was largely taken for granted in the traditional texts: what is the foundation of the tendency to overproduction?

For most orthodox Marxists the tendency to overproduction was explained by the capitalist's blind and insatiable lust for profit, 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 overproduction 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 on 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. If crises arise it can only be because of the existence of barriers to the proper functioning of the market.

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 the irresponsibility of the monetary authorities, who expand credit and so sustain such overproduction to the

[6] Theoretically its most important influence was on the development of business cycle theory, of which Hilferding and Spiethof developed Marxist variants, Schumpeter and Hayek bourgeois variants.

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 tendency to overproduction. The error in these explanations is to look to the subjective motivation of the capitalist, and not to the objective social relations of the production and appropriation of surplus value for the key to the tendency to overproduction. Behind this error lies the failure to penetrate the fetishism of commodities to develop an adequate analysis of capitalist competition as a moment of the reproduction of capitalist social relations of production.

The bourgeois analysis of competition is formal, idealist, circular and internally contradictory. For the bourgeois economist the capitalist is a pure arbitrageur, moving capital instantly between branches of production in order to secure the uniformity of prices and of conditions of production within branches of production, and the uniformity of the rate of profit between branches of production, required to establish an equilibrium. The analysis is formal because it abstracts entirely from the social relations within which competition takes place. It is idealist because competition is an intellectual process of rational decision making. It is circular because it presupposes knowledge ('expectations') which anticipates the outcome of the process whose course it determines. It is contradictory because opportunities for profit only arise to the extent that the market fails to establish an equilibrium, so that the presumed tendency to equilibrium extinguishes the agents whose entrepreneurial activity underpins that tendency.

Bourgeois attempts to develop more systematic 'disequilibrium' theories of competition have undermined the naive faith of their predecessors in the uniqueness and stability of equilibrium, while remaining formalistic, in continuing to see competition in abstraction from the social process of production and appropriation of surplus value, so that their underlying assumptions remain idealist, in relating to the 'knowledge' and 'expectations' of exchanging subjects, and not to the social relations of production of which those subjects are the agents. Lacking such an objective foundation these underlying assumptions remain purely arbitrary.[7]

Attempts to locate the source of the crisis-tendencies of accumulation in the barriers to competition presented by monopoly powers, as in the 'stagnationist' tradition descending from Kalecki, or by the immobility of fixed capital (Weeks, 1979, 1981) provide a more radical critique of the bourgeois theory of competition in locating these barriers in objective features of capitalist production, and not merely in the subjectivity of capitalists. However such theories still remain within the framework of the bourgeois theory of competition in taking 'perfect competition' as their measuring rod, and still see crises as essentially contingent results of the failure to realise the 'rationality' of the market.

The implication of all these theories is that reforms in the sphere of exchange, either to restore the conditions of perfect competition by removing monopoly powers and/or easing the mobility of capital, or to introduce alternative 'modes of regulation' or 'social structures of accumulation' to secure proportionality, will avert the threat of crisis. This is because these theories fall back on subjective irrationality or historical or institutional contingency, instead of explaining the necessity of crisis as the direct expression of the contradictory form of the social relations of capitalist production.

[7] The literature is surveyed from a Marxist perspective in Walker, 1988.

5 Capitalist Competition and the Fetishism of Commodities

The bourgeois theory of competition attributes to its agents knowledge and foresight which they cannot possibly have, so that in reality they are unable adequately to perform their appointed roles. This is the source of the 'anarchy of the market', but it is not the fatal flaw in the bourgeois theory of the market. Much more fundamentally, the bourgeois theory of the market is a theory of a social institution which quite simply does not exist. The market, as it is depicted in the bourgeois theory of competition, is a figment of the bourgeois imagination. Not only the requisite knowledge, but also the very roles of its agents, and the social relationships into which they are supposed to enter, do not exist. In such circumstances no amount of knowledge and foresight can enable the institution to work more perfectly.

The agents of capitalist competition are not individual subjects engaged in buying and selling commodities in order to earn a profit or maximise their well-being, they are the agents of capitalist social relations of production: capitalists who are seeking to realise their commodity capital in the money form; capitalists who are seeking to transform their money capital into the form of means of production and labour power; workers who are seeking to sell their labour power, or to purchase their requisite means of subsistence; petty commodity producers who are seeking to dispose of their own products. In exchanging commodities these individuals are seeking to reproduce themselves socially by re-establishing a role for themselves within the reproduction of capitalist social relations of production. Exchange relations are a moment in this process of social reproduction, and cannot be analysed in abstraction from that process.

Exchange relations are differentiated according to the social relations of production whose reproduction they express. These differentiated forms cannot be reduced to various 'imperfect' forms of an ideal system of exchange relationships which exists only in the fertile brain of the economist. However, exchange relationships do have a distinctive and general significance as a particular moment in the reproduction process of capital, for it is only in the form of competition that the social character of capitalist production is imposed on individual agents as an external force. This social character appears in the form of the barriers presented to the aspirations of individual agents by the subjective will of others. However these barriers are neither subjective nor individual, they are the form in which the natural, social and historical limits to capitalist production confront particular agents. These limits do not confront individual agents immediately as such, but appear in the form of competition for raw materials, means of production and subsistence, labour-power, credit, or to secure markets for commodities.

The worker has no choice but to accept these barriers as limits. He or she must sell his or her particular category of labour-power, and buy the requisite means of subsistence, in order to live. However, while labour-power is inevitably tied to the bodily form of the worker, capital has no such physiological encumbrances. Thus, however definite these barriers might be as limits to the accumulation of capital as a whole, they appear to individual capitals only as barriers to be overcome. The capitalist does not 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, 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 on a world scale. The capitalist who is able to overcome these barriers will earn a surplus profit, and so will have an incentive to develop the forces of production, without regard to the limits of the market. It is this dynamic relationship between the production and realisation of surplus value that 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. To see this more clearly we need to look at this relationship more closely.

6 Overproduction, Competition and the Dynamics of Accumulation

Capitalist competition is no more than the everyday manifestation of the tendency to the overproduction of commodities. Far from resolving the tendency to crisis, competition expresses the threat of extinction which confronts every capitalist, of which crises are only the most dramatic expression. In this sense competition is both the presupposition and the manifestation of the tendency to overproduction inherent in the social form of capitalist production. This, rather than some metaphysical essentialism, is 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). The imbalances of production and consumption, which underlie the tendency to crisis, are not the accidental results of the 'anarchy of the market', but express deeper contradictions at the heart of the capitalist mode of production.

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.

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 greater the extent of overproduction, the fiercer will be the competition between capitalists in a particular branch of production, and the more the pressure to expand the production of surplus value will confront them as an external force. Thus 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 primarily by the *uneven development of the forces of production* as capitalists struggle for a competitive advantage. 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.

The drive to increase the production of surplus value leads capitalists constantly to increase the mass of commodities produced. At the same time they seek constantly to economise in the use of living labour and the elements of constant capital. The immediate consequence of this contradiction is that the growth of the market tends constantly to lag behind the growth of production. However it is not legitimate to conclude, as did the traditional theory of underconsumption, that the immanent tendency to overproduction implies that general overproduction/underconsumption will be the ultimate result. To trace the consequences of this immanent tendency at the level of the accumulation of capital as a whole requires us to trace out the intermediate steps through which the immanent tendency has to be developed, first within a particular branch of production, and then within the system of production as a whole.

The immediate result of the immanent tendency to overproduction in a particular branch of production is the competition which confronts capitalists when they attempt to realise their expanded capitals. However, capitalists do not confront the limited market as a barrier to their ambitions. This is obvious for the more successful capitalist, 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 overproduction 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.

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 try to maintain their selling prices, so that they can continue to show a paper profit, expanding their borrowing to continue in production, while they seek to dispose of their stocks through aggressive marketing and hope that their set-backs 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 warehouses, 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 may 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 overproduction is removed through the 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 overproduction 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.

7 Overaccumulation, Uneven Development and Disproportionality

The tendency to overaccumulation and crisis underlies both the dynamism and the limits of the capitalist mode of production. It is the essential form of capitalist accumulation in every branch of production. Within any particular branch of production this tendency appears in the form of competition, which expresses the tendency for capital to expand productive capacity beyond the limits of the market, and through which production is brought back within the limits of the market only by the devaluation of capital and destruction of productive capacity. The tendency to overaccumulation and crisis is thus the everyday reality of capitalist existence. On the other hand, once we consider the accumulation process as a whole it is clear that the expansion of production in one branch of production expands the market for another, so that the tendency to overaccumulation does not necessarily appear in the form of general overproduction, but rather in the form of the uneven development of the various branches of production. This unevenness has a number of sources.

First, the conditions of production differ from one branch of production to another. The primary source of the overaccumulation of capital is provided by opportunities for surplus profit. Thus, for example, the tendency to the overaccumulation 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.

Second, the development of the forces of production in any branch of production is restricted by various natural, technical or social limits, which appear as barriers in the form of competition for scarce raw materials, labour power and means of production. Thus productive capacity in some branches of production may develop far beyond the limits of the market, while in others barriers to the expansion of production may mean that productive capacity, for all the efforts of capitalists to expand it, falls short of the growing demands of the market.

Third, 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 subsistence and on the stability and confidence of the financial system.

The uneven development of the various branches of production is determined primarily by the uneven development of the conditions of production, rather than by the different rates of growth of the market for their products. Thus the tendency to overproduction, which is the driving force of capitalist accumulation, 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 *a priori* reason why such uneven development should take the particular form of the overproduction of the means of subsistence, so that crises should appear as underconsumption crises.

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 the means of subsistence, because the tendency to overproduction 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. Thus 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.

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 overproduction. 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.[8]

The theory of overproduction leads not to an underconsumption but to a disproportionality theory of general crisis. However such disproportionalities are not merely the contingent result of the 'anarchy of the market', which can be corrected by appropriate state intervention, they are the necessary result of the social form of capitalist production.

8 The Tendency to Overproduction, Credit and General Crises of Overaccumulation

The 'necessity of crisis' is inherent in the social form of capitalist production, 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 overcome all barriers to accumulation by expanding production without regard to the limits of the market. On the other hand, the barrier of the market is the form in which the external and internal limits of accumulation confront particular capitals as competition for means of production, labour power and outlets for their products. The external limit to the pace of accumulation as a whole is determined by the rate at which capital can transform human and natural resources into labour power and the elements of constant capital. The internal limit is set by the proportional requirements of expanded reproduction. While capitalists seek constantly to overcome these barriers, they cannot dissolve them altogether. Thus sustained accumulation depends on confining the development of the forces of production within the material limits expressed in the barrier 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

[8] Different evaluations of the relationship between market constraints and opportunities, on the one hand, and the course of accumulation, on the other, has lain at the heart of the debate between 'inflationism' and 'deflationism' ever since John Law's monetary experiments of the early 18th century. 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, while it affects the pace of accumulation, has little impact on the tendency to the overaccumulation and uneven development of capital since it has little impact on the conditions of production.

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.

We have seen that the barriers to accumulation inherent in the contradictory form of capitalist production appear immediately to the individual capitalist in the form of competition. The limits to the ability of the capitalist to overcome these barriers 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 overtrading, overspeculation etc connected with it, rests on the necessity of expanding and leaping over the barrier to circulation and the sphere of exchange' (*Grundrisse*, 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 principle accumulation could be continued indefinitely, if capital were able to overcome the barriers to accumulation. However, in suspending the barriers to accumulation, the expansion of credit gives free rein to the tendency to the overaccumulation and uneven development of capital, so that disproportionalities are likely to be cumulative, fed by the unfettered growth of credit. At first the overproduction 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 overproduction 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.

9 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 economists the cycle of boom and slump has always appeared to be a monetary phenomenon, whose ultimate causes are psychological or political.

The boom has been stimulated by the expansion of credit, the crash provoked by its contraction. The overaccumulation of capital in the boom appears to have been the result of the overenthusiasm of capitalists caught up by a psychological wave of optimism. This optimism was shared by the bankers, whose overexpansion of credit fed the boom, and whose injudicious judgements permitted the speculative excesses and fraudulent 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 overexpansion 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 confines accumulation within the limits of the market, subjects capitalists to the competitive pressure which compels them, on pain of extinction, to overcome the barriers to accumulation by improving methods of production, opening up new sources of supply and developing new markets, but at the same time it limits the means and opportunity available to enable capitalists to overcome those barriers, so that every barrier becomes a limit which threatens to stop accumulation in its tracks.

A liberal credit regime frees capital from the barrier of the market, and so stimulates accumulation, but cannot in itself guarantee that capital will take the opportunity to overcome the barriers to sustained accumulation, so freeing also the tendency to overaccumulation and uneven development with the attendant risk of crisis and collapse.

In principle it might be possible to steer a middle course, and to conduct economic policy in such a way that capitalists are under sufficient competitive pressure to compel them to overcome the barriers to sustained accumulation, while credit is sufficiently loose to sustain steady growth and to ensure that the inevitable liquidations do not compromise the stability of the system as a whole. This is the holy Grail of a stabilising economic policy which bourgeois economists have sought for the past two hundred years. But the holy Grail is only to be found at the end of the rainbow. Economists regularly think that they have found it in the policies pursued by the governments of currently successful nations, only to find that such policies applied in different circumstances have quite different effects. The evidence of the twists and turns of economic policy, globally and in different countries, over the past two decades would seem to establish conclusively that there is no such holy Grail.

This is not to deny that sustained accumulation is possible, nor that the intervention of the state can play a significant role in sustaining accumulation and averting the risk of a general crisis. However such state intervention is necessarily confined within the limits of the contradictory form of capitalist production which appears in the tendency to overaccumulation and crisis as a structural feature of capitalist production. The state can pursue expansionary policies, in order to avert the threat of stagnation, recession or a deflationary collapse, but at the risk of stimulating the increasingly inflationary overaccumulation of capital which carries with it the threat of an even greater crisis. Equally the state can contain the threat of an inflationary crisis by restricting the growth of credit, but at the risk of stagnation, recession or depression. The dynamism and the crisis-tendencies of capitalist accumulation are necessarily two sides of the same coin.

If it proves possible to identify and to implement a set of policies which permit the sustained accumulation of capital, such an achievement is not to be attributed to the power of the state or the wisdom and expertise of its advisers, but to the ability of capital to overcome the barriers to sustained accumulation. 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, in which political struggles, and the intervention of the state, play a part, but only a part. 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, which includes inseperably a political struggle over the institutional forms and the policies and practices of the state.[9]

[9] In Clarke 1988a I explore the relationship between the historical tendencies of accumulation, the capitalist state form, economic ideology and economic policy within the context of the historical

10 Conclusion

We can now see that the disproportionalities, which Tugan- Baranowski 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 overproduction is neither a pathology of the market, nor an expression of the subjective irrationality of capitalists. It is inherent in the social form of capitalist production as the production of surplus 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.

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

development of the class struggle over the past two centuries.

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.

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